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IMPACT OF CEMA INTEGRATION ON STRUCTURE OF POLISH INDUSTRY DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 2, 1980 pp 13-15

[Article by Marian Guzek: "Economic Integration of the CEMA Countries and Rationalization of the Structure of Poland's Industry"]

[Text] As CEMA's 30 years of experience shows, the integration of the socialist countries has a different influence on the creation of industrial potential from that on the shaping of the industrial structure of the various CEMA countries. There is no doubt that a significant role in the process of industrialization has been exerted by the mutual interrelationships among the CEMA countries and especially by bilateral cooperation with the Soviet Union. Owing to imports of raw materials in exchange for various industrial production surpluses, including those coming from completely new branches of industry set in production under the auspices of the progressing process of industrialization, the socialist countries have managed to build up their potential sufficiently for completely new structures of their national economies to come into being.

But we should place a different assessment on the influence that integration ties have on shaping the structure of processing industry from that on the transformation of the structure of the entire national economy. There is no doubt that the influence of integration ties on the structure of industry itself has been insignificant. Under the conditions of Poland, like those of other countries, the creation of a specific profile of production potential specifically designed for the needs of partners has been an exception. Of particular importance have been the orders from the Soviet Union. Examples of such areas in Polish industry have been the shipbuilding industry, certain plants of the engineering industry (for example, the clutch plant in Ostrzeszow), and certain plants of the aviation industry, but on the whole the structural form of processing industry has not been dependent on the integration relationships within CEMA, and it has been the subject of the autonomous decisions of the various individual countries.

The whole system of cooperation among the socialist countries has been clearly adapted to the need of creating economic potential in general and not to the need of creating potential with a specified structure. The coordination of plans tied in with consultations in the realm of economic policy, despite its inadequacies, has been successful in making it possible on an international scale to balance the production of the raw-materials and power branches and other areas of manufacturing which tend to be deficit branches; and the system of mutual exchange, including the system of settlements, based on quotas, has assisted in the effective execution of the mutual turnovers for the required level of imports. The extent of increased influence which integration has on the structural changes in industry depends on improvements in the system of cooperation among CEMA countries, but at the same time it is conditioned by the central bodies' interest in encouraging this type of action.

The Way of the Autonomous Shaping of the Structure of Industry

Although some people try to explain away the tendency toward the individual countries' autonomous structuring of industry by saying the cause is the impropriety of mutual ties within CEMA, especially the system of production specialization and cooperation, nevertheless there is no doubt that there is a mutual relationship between the inefficiency of the system of cooperation and the extent of the central planning bodies' interest in availing themselves of cooperation for the needs of shaping the industrial structure. We can probably assume that the autonomous way of shaping the structural systems often stems from necessity and often from the selection which the central planning bodies of the various countries themselves make.

Owing to the relatively rich raw-materials resources and the possibilities of developing traditional directions of export, the awareness of the need for specialized direction of industrial production occurred relatively late in Poland. Nonetheless, we tried many times to transform the structure of industry, either using specially constructed programs for the development of export production, or by establishing lists of so-called preferential areas, or finally by formulating appropriate tasks in the production plans, which were also reflected in the first long-range plan for 1961-1975. These sorts of aspirations were formulated on the basis of more or less intuitive criteria, such as supporting the development of areas which were the vehicles of technical progress, giving priority to the development of the engineering industry "around" the domestic raw materials areas (and hence, for example, the industry producing machinery for coal mining, and the extraction of sulfur and coal). In the 1970's we counted on the modernizing influence of the Large Economic Organizations (WOG's) and the so-called principle of self-repayment of foreign exchange currency as the premise for the development of export-oriented areas of processing industry. Here there were already clear assumptions stemming from the conviction that the parametric systems would lead to an export-oriented structure of production.

Although we cannot fail to notice many positive effects both of the application of pure planning concepts and the operation of parametric systems, we can say that hopes for structuring specialized areas of processing industry with a strong competitive position on the world market remained unfulfilled. In connection with this the whole economy, especially the traditional sectors of manufacturing industry, was burdened with additional repayment of foreign exchange currency credit drawn in the awareness of its possibly being used to develop export-oriented areas of processing industry as future sources of foreign-exchange surpluses, and these repayments exceeded the initial targets.

In connection with import restrictions, there has recently been a greater tendency to adapt new industrial potential to the internal needs of the economy. I was in a position to observe such tendencies, owing to my participation in the work of one of the sector centers which has an influence on designing the development of completely new areas of industry. Specialists from the field of technology clearly recommended that construction design be undertaken on many new pieces of equipment, and they were being guided by the principle of the so-called "unknowns," that is, types of production not yet developed within our country for which the domestic economy has a need. There was also emphasis on the fact that any type of dispersion of effort must have an adverse effect on the scale of production, the quality of goods, and the possibilities of improving designs and the application of completely new designs, but this was justified by the fact that we have conditions different from those of capitalism, where industry may expand all over the world, while we must orient ourselves to the needs of the domestic economy.

Surely we can suggest many suppositions on the subject of causes for the difficulties in developing export-oriented areas of industrial production. The example of the creation of a new sector of industry whose production is outmoded even during the design stage may be a sign of a disturbing phenomenon with which we are currently dealing and which is basically not a new process but a confirmation of a previous one which we have not managed to eliminate from our practice despite many efforts.

It would seem that one of the important sources of the difficulty is the lack of adequate motivation systems. It can be shown that without any great effort we have ~~or can have~~ individual motivation to encourage export production (that is, motivation with regard to individual employees) and even motivation of the group type (applying to all workers) insured, but this is of short-term significance which is based on material incentives and aimed at correcting the assortment of items, fundamentally within the framework of existing production potential. On the other hand it should be stated -- and this is often overlooked -- that the activation of exports under conditions of adapting manufacturing potential to the country's domestic needs cannot fail to create deficits in the domestic economy. Only activation joined with prior export-oriented investment decisions can prevent the creation of adverse supply effects within the country.

Nevertheless we are dealing with an important lack of motivation with regard to the distribution centers which make allocation decisions of long-range importance, because there is too great risk in creating production potential in industry designated solely or to a decisive extent for the benefit of foreign countries (except for raw-materials and food areas). Hence, despite the fact that the plans call for an appropriately large share of processing industry, including engineering industry, in our exports -- this was true of our first long-range plan* -- and despite the fact that appropriate tasks are taken into account in the programs for the development of export production or concepts based on the selection of preferred areas of production, such aspirations could not be realized to a sufficient extent. The centers making the allocation decisions were not ready to take the risk of a far-reaching concentration of investment outlays in selected areas of processing industry whose production would be designated to a great extent to the needs of foreign customers.

Although we could content ourselves here with the statement that these concepts were either unrealistic or inconsistently carried out, such a statement would not come close to resolving the problem, which, owing to its duration and at the same time its importance to future periods, should be thoroughly analyzed both in theoretical terms and from the practical viewpoint.

It is nonetheless worth mentioning that the very system of the economy's function in the short terms (including the operation of economic instruments) would not seem to supply the possibility of resolving the question of structural transformations of the necessary scale in industry. If we call on the practical experience of countries who managed to reach a more advanced stage of implementation of parametric systems, we can state rather with uncertainty how effective the very market mechanisms were in the realm of the specialized structuring of processing industry. Despite the fact that in many instances the corporation system of material and nonmaterial incentives was used, that is, the whole workforce was offered the possibility of participating in the effects achieved from production activity and a share in management, then we can suppose that difficulties still remain in the realm of the allocation of investments, because under the conditions of a socialist system, it is difficult to assume that the accumulation fund would become so decentralized that decisions concerning the development of production potential could be relegated to the lowest echelons of the economy, even if these decisions concerned large complexes, like sectors, for example. Here we should add that even in a capitalist economy the state does not give up the selective structuring of the development of industry, and even under conditions similar to the assumptions of free competition, a policy of supporting the development of certain areas of production is adopted.

*Viz: S. Polaczek. Miedzynarodowy rynek socjalistyczny [International Socialist Market], Warsaw, PWE, 1978, pp 143-162.

Under our conditions there is a special sort of investment dilemma which can be expressed in the form of the question of whether management of the investment fund should be left to the headquarters centers -- but then the people who have the fund at their disposal have no material incentive -- or to shift this management to where material incentive is possible but is of short-range significance (and in addition of minor intensity, if only because of the requirements concerning the specific degree of economic egalitarianism in the society). In the latter case, along with the shift in resources there would also be a departure from macroeconomic rationality in favor of piecemeal rationality which in fact can be made subordinate to regulation on the part of the central echelon, but in practice this regulation is not very effective.

It would seem that the dilemma has a solution which consists of treating cooperation with foreign partners as a way to help distribute the risk of allocating investment outlays needed to develop production areas which specialize in export production. The successful use of this method would make it possible to maintain at the central level the authority needed for management of the whole investment fund and to give the lower levels the right share of authority to use this fund in connection with making corrections in the assortment of items produced by the production potential created at the decision of the higher levels.

CEMA's Potential Role in Shaping the Structure of Industry

In order for CEMA to be treated as an "instrument" for rationalizing the structure of the industry of member countries and as a way for our processing industry to obtain a competitive position on the world market, it is necessary to transform and improve the system of cooperation of the CEMA countries. Above all it would be useful to endow the relationships among these countries with a multilateral nature, because although bilateral relationships between each of these countries and mainly the Soviet Union sufficed for the creation of industrial potential, effective multilateral relationships are essential for rationalizing the structure of production in industry using the possibilities of an international division of labor under the auspices of CEMA. In addition, we should take a realistic look at the need to endow this system with economic attributes and at the indispensable need to get beyond the sphere of mere political imperatives which inspire the development of cooperation. CEMA's influence on the structure of the industry of individual countries is not possible in the desired sphere without an effective system of production specialization.

I take the concept of an efficient system of specialization to be that network of mutual relationships in the production sphere which not only creates the possibility of introducing an economic theory which can be used as the basis for selecting the directions of specialization but which also contains the necessary price guarantees in the form of minimum and maximum prices, so that the partners have an assurance of a minimum export or import profitability back at the time they intend to make the decision to create production potential specially for the needs

of the foreign partners or else when they decide to give up the development of a certain area of production and leave it to their partners to develop. A postulate known after all from the professional literature, the postulate of adopting minimum and maximum prices which should be set in specialization or trade agreements in the course of multilateral understandings, does not preclude the possibility of using world prices as the basis for determining the variability of future contract prices, nor does it preclude the possibility of the foreign trade machinery's role in setting either minimum and maximum prices or concrete contract prices back during the course of implementing the specialization agreement or trade agreement.

The basing of the production specialization system on economic theory (which after all can be introduced into the legal conditions currently in force for cooperation, including the permissible flow of information on an international scale and the respecting of the trade secret principle) and the application of guarantees in the form of minimum and maximum prices could not only increase partners' interest in the intensive development of mutual specialization and cooperation relationships but could also eliminate the specialization solutions which sometimes occurred in previous practice and brought all the partners losses instead of benefits (which can be the unintended consequence of using intuitive conditions in selecting specialization directions).

In addition, it should be emphasized that the multilateral negotiation of minimum and maximum prices along with the determination -- this too on a multilateral basis -- of the directions for the specialization of production would even out all partners' opportunities, regardless of their potential reached in a given area of production and regardless of the overall level of development. The partners' individual bargaining position on the other hand could manifest itself only in signing the contract in the bilateral form, which, unlike previous practice, would nonetheless have previously specified limits on the variability of prices, limits beyond which a given partner's bargaining position could not go.

The next element of improvements in the cooperation system in CEMA, one which usually is undervalued, should be to insure CEMA's proper position vis-a-vis the world market. This postulate should be understood as the need to introduce market protection measures jointly or on an international scale, coordinated within CEMA,* measures making it possible nonetheless to

*Interesting proposals on this question have already been made years ago by Hungarian economists, as the conception of the customs union of the CEMA countries. Viz: B. Csikos-Nagy's "Theoretical problems of the system of prices in mutual trade of CEMA member countries," KOZGAZDASAGI SZEMLE, 1967, No 1; T. Kiss' "International Division of Labor in Open Economies" Budapest, 1971, pp 187-196. The Hungarian proposals are discussed more thoroughly, with emphasis on their positive aspects alongside the implementation problems, in J.M. Syriajew's work "Ekonomiczny mechanizm integracji socjalistycznej" [Economic Mechanism of Socialist Integration], Warsaw, PWE, 1977, pp 170-173.

permit close oversight and limited competition on the part of partners from third countries, in order to encourage domestic industries to become more open to innovation and to make the necessary progress in production quality.

On the basis of mutual specialization understandings, including guaranteed deliveries and guaranteed sales of production, the individual countries can with greater probability than previously, create specialized industrial potential for the needs of export to the world market. Ties to the world market can also be based on specialization and cooperation understandings with western partners. The development of these understandings, however, has been running into rather serious interference up to the present time and can probably represent only a fragmentary stimulus for exports to third countries. On the other hand, even the creation of potential without the assurance of selling production under conditions where there is already substantial potential in the given field as created for the CEMA should not encounter so strong resistance to realization as it is meeting at present, because of the far lesser share of production without assured sales in total export production of any given sector.

On the other hand, before we can talk about implementing this sort of undertaking, we should first of all try to make substantial changes in the theoretical concepts for the development of cooperation among CEMA countries and especially make efforts to insure unity between the sphere of planning activity on the international scale and the sphere of the use of economic instruments. In the previous literature and also in official CEMA documents, not excluding the complex integration program, these two spheres have been separated from one another, and this fact greatly hampers the implementation of both sorts of undertakings in practice. It would seem that the element which links economic instruments to planning undertakings on the international scale should be the system of measures to protect the national economies of the individual countries and also to protect the CEMA market vis-a-vis the world market (for example, in the form of a joint customs tariff), which would be a way of joining current trade interests with long-range planning interests. Because of this it would also be possible to develop the planning bodies' interest through integrating interrelationships not only as a way of encouraging increased production potential but also as a way of shaping modern, specialized structure in processing industry.

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JOINT VENTURES BY CEMA MEMBERS IN OPEC AND DEVELOPING COUNTRIES

Sofia VUNSHNA TURGOVIYA in Bulgarian, No 7-8, 1979, pp 20-23

[Article by Emil Khilairski, candidate of economic sciences: "Socialist Economic Integration and Intensification of Cooperation Between the Bulgarian People's Republic and the Developing Countries in Energy-Raw Material Sectors"]

[Text] In the present decade the so-called raw materials problem is assuming particular importance on a global scale. Its solutions are different under socialist and capitalist conditions because of the opposite nature, objectives, and tasks of the two socioeconomic systems.¹

Under the conditions of the socialist production method the raw material problem does not have the nature of a crisis. Natural resources become targets of planning and rational development, as reflected in the adopted long-term target problem in the fields of energy, fuels, and raw materials of the CEMA-member countries.

Along with the implementation of the long-term target program, the socialist countries are intensifying their cooperation with the developing countries. Soviet economist L. Zevin has emphasized that under the conditions of socialist economic integration the raw material problem may be given its optimum solution only through the intensification of cooperation with the developing countries in the comprehensive development of their natural resources.²

By virtue of a number of economic and non-economic circumstances, the developing countries had become an agrarian-raw material appendix to the developed capitalist states. Their rich natural resources were an important factor in colonial expansion. To the 'numerous 'old' reasons for a colonial policy, financial capitalism added the struggle for raw materials'³ waged by the imperialist countries.

At the initial stage in the development of economic relations between socialist and developing countries we must take into consideration the characteristics of the international division of labor which had developed. Their influence will be retained for a while. Along with improvements in cooperation methods, conditions are being created for changing the position of the developing countries in international economic relations.

In turn, the developing countries are also interested in the development of their natural resources, for this would enable them to accelerate their process of industrialization and to upgrade the prosperity of their people. Naturally, the main question is that of who has the natural resources, and in whose interest and how will income from raw material exports be used. In this case, the basically different approach taken by the socialist countries, compared with that of the developed capitalist countries, to cooperating with the developing countries in the energy-raw material sectors becomes particularly clear. The socialist countries consider such cooperation only a necessary stage in the development of mutually profitable and equal cooperation. Their objective is not to perpetuate the raw material specialization of the developing countries, but to utilize it maximally for the comprehensive development of the production forces of the developing countries. Particularly indicative in this respect is the example of Cuba which, until recently, was a backward country with a one-crop national economy. With the direct help of the socialist countries, within a relatively short time Cuba was able to diversify its economy while, at the same time, intensifying its specialization in sugar production.

About 1650 projects have been built or are under construction with the participation of the CEMA-member countries. A large percentage of them are related to the comprehensive development of the natural resources of the developing countries (including 650 electric power plants and other energy projects, 50 ferrous and non-ferrous metallurgy enterprises, and so on). The enterprises built by the socialist countries have an annual output of 20 million tons of coal, 12 million tons of iron ore, 30 million tons of metallurgical output, 40 billion kilowatt hours of electric power, the refining of over 18 million tons of petroleum, and so on).⁴

The Bulgarian people's republic is steadily expanding and intensifying its cooperation with the developing countries. This was made particularly clear in the course of Comrade T. Zhivkov's visit to Africa in 1978 and his trip to Mexico this year. From the rostrum of the 9th session of the Seventh National Assembly, Comrade T. Zhivkov stated that, 'Our principle-minded policy is yielding good results; we are engaged in intensive, varied, and expanding contacts and cooperation with virtually all liberated countries.'⁵ All this is reflected in our foreign trade with the developing countries. Whereas in 1970 it totaled 252.9 million foreign exchange leva, it reached 900.9 million foreign exchange leva in 1977. In 1977 our foreign trade with the developing countries accounted for 7.4 percent of the total. Bulgaria is importing from the developing countries 4.5 percent of our overall imports. In the case of some commodity groups, however, the developing countries are a major source for satisfying the needs of our socialist industry. Thus, for example, in 1977 we procured from the developing countries 100 percent of the phosphates imported by our country; 100 percent of the jute, palm, sunflower, peanut, and molasses, 98.8 percent of the rubber, 87.6 percent of semi-treated hides, 67.1 percent of tanning materials and extracts, 18.8 percent of the sulfur, 14.7 percent of the cork and cork products, 7.7 percent of the petroleum, and so on.⁶

The classical form of international economic relations--foreign trade--is no longer able to meet the new requirements which call for finding new methods and for combining the efforts of our country with those of the other socialist members of CEMA on a bilateral and multi-lateral basis for upgrading the effectiveness of our participation in the comprehensive development of the natural resources of the developing countries.

The new forms of cooperation are appearing and will continue to appear on the basis of reciprocal benefits, equality, and non-interference in domestic affairs.

Exceptionally favorable opportunities exist for greater bilateral cooperation in participating in the development of natural resources of these developing countries on a joint basis with the USSR. A contributing factor in this respect is the Bulgarian-Soviet treaty on coordinating efforts in carrying out construction assignments, supplying complete projects, and engaging in geological prospecting activities in the developing countries. The treaty specifically emphasizes that cooperation relations between Bulgarian and Soviet enterprises may be established only should the developing country in which the project is being implemented accept the involvement of another country as a subcontractor.

Every year Bulgaria and the USSR discuss and coordinate possibilities for cooperation in the building of projects for the extracting industry of the developing countries, and projects related to upgrading the raw material processing of initial materials. Several joint projects have already been completed. Usually Bulgaria is the subcontractor while the overall implementation is contracted with the USSR.

Our country has expressed its readiness to participate, in cooperation with the USSR, in the building of a number of extracting industry projects in the developing countries, such as, for example, the development of the phosphate deposits in Jordan (Al-Hasa), Tunisia (Kef el Dur), Morocco (Mescala), Iraq, and others. The possibility exists for our two countries jointly to participate in the development of a phosphate mine in Jordan, in supplying and assembling a phosphate complex in Iraq, for the production of fertilizers and sulfuric and phosphoric acids, the building of a concentration factory for coal and the expansion of the metallurgical combine in Isfahan, in Iran, and so on. It is not excluded for our country to participate in the implementation of some projects as the general contractor, subcontracting with Soviet enterprises.

The Bulgarian People's Republic is also cooperating with the remaining socialist CEMA-member countries in building complete projects for the extraction and processing of raw materials in the developing countries. In Syria, Bulgaria, Poland, and Romania built three projects for the phosphate extraction industry in the area of Palmira. Bulgaria and Czechoslovakia joined efforts in delivering a hide-processing plant to Algeria; Bulgaria and the GDR cooperated in the building of a textile combine in Algeria, and so on.

Frequently, geologists from several socialist countries conducted surveys in the same developing country. The unification of their efforts would make it possible to specialize in survey activities and to increase the volume of work. Bulgaria has established close contacts with Romanian geologists in the study of and prospecting for natural resources in the developing countries and for their exploitation. This is reflected in the treaty on cooperation in the field of mining concluded between Bulgaria and Romania on 12 June 1975.

Along with the development of bilateral forms of cooperation between our country and the remaining socialist countries in order to intensify economic relations in the development of the natural resources of developing countries, multilateral cooperation methods are becoming ever more important. Particularly good possibilities appeared with the adoption of the 1971 comprehensive program which stresses that the CEMA-member countries "will pay great importance to the further development of trade and economic and scientific and technical cooperation with the developing countries."⁷

The successes of the socialist countries have raised highly the international prestige of CEMA which, currently, maintains business contacts with 30 other international organizations and regularly participates in the work of 20. In 1971 CEMA was granted observer status by the United Nations; in 1975 it was granted the same status by the United Nations Economic Commission for Europe. CEMA is particularly active in UNCTAD on an entire range of problems related to the restructuring of international economic relations in a democratic spirit and the elimination of discrimination and inequality in economic relations between developed capitalist and developing countries. The CEMA-member countries support the initiative of the developing countries for an integrated approach to the solution of the raw material problem, indicating that in order to achieve a lasting solution a "set of inter-related measures must be implemented covering the production and processing of and trade in raw materials, and the effective limitation of the activities of market forces."⁸

The developing countries are realizing the advantages of cooperation with the socialist countries, for which reason an ever larger number of developing countries are expressing the desire to intensify their economic relations with CEMA. CEMA has already signed contracts with Iraq and Mexico. This has raised cooperation to a qualitatively new level. Angola, Laos, Argentina, Colombia, and others have officially stated their intention to establish closer contacts with CEMA. Not only individual developing countries but entire integration associations of developing countries have announced their wish for closer cooperation with CEMA. This includes the Andean Economic Community, and the Latin American economic system, both of which are pursuing a purposeful policy of restricting the influence of foreign capital in the economy of the Latin American countries and are promoting the social diversification of their foreign economic relations.

The contracts concluded between CEMA, as a collective country, and an individual developing country, create conditions for the intensification of cooperation and for coordinating the national programs on a multilateral basis between CEMA-member countries and developing countries in the development of their natural resources. The unification of material, financial, and manpower resources of the interested CEMA-member countries for purposes of involving the natural resources of the developing countries in their national economic complexes, makes it possible to intensify the role of production cooperation and to deepen and improve the forms of international division of labor as well as to insure reliable and permanent sources of raw materials needed by the socialist countries.

In accordance with the contract signed between CEMA and Iraq a work group is in operation contributing to the development of petroleum deposits in Iraq. The joint participation of the interested CEMA-member countries in the development of natural resources in Iraq and other developing countries will make it possible to build optimum enterprises which will lower the cost of obtained raw materials and increase returns. This work group has already contracted for the building of petroleum storage tanks in Iraq.

The special fund for crediting measures for providing economic and scientific and technical assistance to the developing countries, established by the International Investments Bank (MIB) is of direct importance to the intensification of this process. The fund totals one billion transferable rubles. The MIB will grant loans in transferable rubles and, in special cases, in convertible currency, repayable over 15 years, for the building of projects of major national economic importance to the developing countries. This will create prerequisites for the intensification of economic relations between CEMA and the developing countries. Multilateral crediting will also stimulate cooperation with the energy-raw material sectors of the developing countries.

Another possibility for the expansion of cooperation between CEMA-member countries and developing countries in the energy-raw material sectors is to improve the mechanism of payments by including individual developing countries or entire integration associations within the system of multilateral payments on the basis of the collective currency of the CEMA-member countries--the transferable ruble.

As early as 1965 the International Bank for Economic Cooperation (MBIS) drafted and adopted conditions for including the developing countries within the system of multilateral payments in transferable rubles, improved in 1972 with the adoption of the "Conditions for Payments in Transferable Rubles Between Members and Non-Members of CEMA." The use of the transferable ruble by a developing country in settling accounts with a CEMA-member country would enable it to convert from bilateral to multilateral balancing of its payments with the socialist CEMA-member countries. In turn, this would open new possibilities for the economic rapprochement between socialist and developing countries.

The socialist countries may achieve more tangible results in their geological surveys in the developing countries by expanding their participation in Intermorgeo, the coordination center for marine geology and geophysics in Riga, by setting up a group in charge of geological and geophysical studies of the continental shelf of the developing countries. Good opportunities appear for the utilization of satellites and outer space vehicles for conducting geological studies. Thus, for example, India is cooperating with the socialist countries in space research, the study of the subsoil, the utilization of solar energy, the development of earth energy resources, and so on.

Reciprocal consultations within CEMA and periodical meetings with trade representatives of the developing countries are major prerequisites for coordination in the implementation of trade policies by the socialist CEMA-member countries. In the course of such meetings discussions are held on reports dealing with the economic situation of specific developing countries, changes in its currency, customs, trade, and legal policies, and improvements of the forms and mechanism of cooperation between socialist and developing countries. Measures are earmarked for their improvement.

The joint laying of the Adria petroleum pipeline by Yugoslavia, Hungary, and Czechoslovakia is an interesting form of multilateral cooperation. Following its completion, it will handle 34 million tons of petroleum per year, 24 million tons of which will go to Yugoslavia, and 5 million tons each to Hungary and Czechoslovakia. This entire amount of petroleum will be coming from the developing countries. This pipeline will be of great importance in the future for the remaining socialist countries, for the Friendship petroleum pipeline will be connected to it on Hungarian territory. In the more distant future Bulgaria will be interested also in the eventual transit piping of Afghan and Iranian natural gas through Soviet territory, which could reach our country along the already laid pipeline from the USSR. Between 1967 and 1985 the gas pipelines laid by the USSR in Afghanistan will have carried 58 billion cubic meters of natural gas, while 140 billion cubic meters will be exported from Iran to the USSR over a 15-year period, thus repaying the Soviet loans.⁹

In our view, however, the greatest effect of the cooperation between CEMA-member countries and the developing countries in the field of energy-raw material sectors would be obtained by creating international economic organizations which would focus their activities on geological surveys and the production and trade in raw materials from the developing countries. Thus, for example, virtually all socialist countries (with the exception of the USSR and Mongolia) are poor in phosphorus-containing raw materials and are interested in intensifying their cooperation with the developing countries which produce and export phosphates. The USSR meets only one-third of the needs of the socialist countries for phosphorus-containing raw materials, while the other two-thirds are imported from the developing countries. For this reason new forms of cooperation must be sought among the socialist countries on a multilateral basis in developing phosphate deposits in the developing countries. In this respect extensive work is

being done by a CEMA work group on phosphorus-containing raw materials. Every year it holds meetings among interested countries for the adoption of joint actions to meet their import needs for phosphorus-containing raw materials. The dynamically growing requirements call for the adoption of measures aimed at direct participation in production and trade in phosphates with the developing countries. Possibilities exist for the creation of an international organization within CEMA to follow the production and trade in phosphorus-containing raw materials and phosphorus fertilizers. The creation of such an organization would make it possible to formulate an optimum model for production specialization and cooperation in the field of phosphorus fertilizers by CEMA-member countries and will insure the rhythmical satisfaction of requirements for phosphorus-containing raw materials. An important aspect in the activities of the international organization will be the implementation of a common policy by the socialist countries importing phosphates from Northern African and Middle Eastern countries. The new organization will enable the interested CEMA-member countries to coordinate their efforts in the joint building of enterprises for the production of phosphates in developing countries. The proposal for setting up such an organization was submitted by our country and supported by the remaining socialist countries. Work is already underway for its practical implementation. The contractual-legal foundations for cooperation with the developing countries are being drafted for geological surveys, delivery of complete projects for the phosphate production industry, and the building of chemical plants for the production of phosphorus fertilizers in the developing countries. A draft "General Contract for Cooperation in the Comprehensive Development of Phosphate Deposits in the Developing Countries" has already been completed.

The socialist CEMA-member countries could establish international economic organizations to handle some other raw materials in short supply such as bauxites, tin, rubber, petroleum, and others, focusing the efforts of the interested socialist countries on improving the forms of international division of labor in energy-raw material sectors, and helping to increase raw material imports from the developing countries.

The creation of mixed enterprises engaged in the prospecting for and production and trade in raw materials involving several socialist countries and a developing country, or between CEMA, as a collective participant, and the developing country, as well as between CEMA and an integrated group of developing countries, is not excluded.

For the time being, a considerable share of the import of raw materials from the developing countries involves the use of foreign ships. Socialist economic integration offers additional possibilities for optimizing transportation and lowering outlays in convertible currency. This is assisted by the Coordination Bureau for Chartering Ships from the Socialist Countries. In the future raw material imports from the developing countries will rise. This will demand the creation of a specialized maritime transportation organization within CEMA.

The development of socialist economic integration offers possibilities for new mutually profitable of bilateral and multilateral cooperation for the intensification of trade, economics, and scientific and technical relations with the developing countries in the field of energy and raw material sectors, in which our country is participating most actively.

The 30 years which have passed since the establishment of CEMA have proved most categorically the advantages of the socialist production method. The increased economic potential of the CEMA-member countries will enable us over the next decade to implement some of the indicated forms of bilateral and multilateral cooperation, and to develop new methods for helping the developing countries in the development of their natural resources. This will be of interest to the developing countries as well, for they will insure a reliable market for their export goods, on the one hand, and will obtain machines, equipment, and technology, on the other, for the diversification of their economic structures and for changing their current status in the international division of labor.

FOOTNOTES

1. For greater details see VUNSHNA TURGOVIYA, No 9, 1976, pp 17-21.
2. "Sotsialisticheskaya Ekonomicheskaya Integratsiya i Sotrudnichestvo s Razvivayushchimiya Stranami" [Socialist Economic Integration and Cooperation with the Developing Countries], Moscow, 1975, p 61.
3. V. I. Lenin, "Such." [Works], Vol 27, p 421.
4. NIKI, MO, 1976.
5. RABOTNICHESKO DELO, 28 April 1979.
6. "Vunshna Turgoviya na NRB, Statisticheski Dannii (1960-1977)" [Foreign Trade of the Bulgarian People's Republic, Statistical Data (1960-1977)], Sofia 1978.
7. "Kompleksnaya Programa...." [Comprehensive Program....], Moscow, 1978, p 8.
8. "Joint Declaration by the Socialist Countries at the Fourth UNCTAD Session." Appendix to the journal VNESHNYAYA TORGOVLYA, August 1976, p 7.
9. Ibid, No 1, 1975, p 19.

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MAIN ECONOMIC CONTRADICTION IN BULGARIA EXAMINED

Sofia IKONOMICHESKA MISUL in Bulgarian No 2, 1980 pp 22-33

[Article by Zhak Aroyov: "The Main Economic Contradiction at the Present Stage in the Development of Bulgaria"]

[Text] The question of the economic contradictions of socialism has not been sufficiently developed in published works. To an even greater extent this applies to the main economic contradiction, including the main economic contradiction at the present stage of Bulgaria's development, and the means for its solution. No full clarity exists concerning the concept itself and the functions of the main economic contradiction, its own development, its solution, and the role of society and, respectively, of the administrative organs in this process. Unquestionably, all this is not to the benefit of society, for the solution of contradictions is the motive force of development which, under socialism, is achieved through the conscious activities of the people. Society must become familiar with the economic contradictions and to organize and guide their solution. Our party ascribes great importance to this process, as confirmed by the materials of the 1978 National Party Conference. A number of contradictions in our socioeconomic development were formulated at the conference including what is, in our view, the main economic contradiction facing Bulgaria at the present stage.

The Main Economic Contradiction in the Social Contradictions System

Not so long ago the view prevailed that social contradictions were not inherent in socialism. It was claimed that the basic stipulation of the dialectics of the struggle and unity of opposites did not apply to the socialist economic system and that only unity and total correspondence existed in it. Subsequently it was accepted that under socialism as well contradictions could exist but that they would be accidental and, essentially, mainly the result of the lagging of some sectors of the socialist society behind general development trends. According to such views the main thing was not the existence of contradictions but the prevailing unity. It was only more recently that the idea of social contradictions gained a broader recognition. However, this did not as

yet mean a total understanding of the nature, manifestations, and functions of social contradictions. Nor did this mean that the social contradictions of socialism have been found, defined, and entirely clarified. On the contrary, there are reasons for claiming that they have not been clarified entirely as yet. This particularly applies to economic contradictions in which improper views accumulated in the past have left substantial marks.²

A number of examples could be indicated of improper interpretations of one or another social contradiction. This confirms the inadequate understanding of their nature and role. For example, the "total" consistency between production relations and the nature of production forces is mentioned. Actually, this denies the contradiction existing between the two aspects of the production method. Furthermore, it is frequently said that the source of development under socialism is the unity within society. In reality, however, this unity has always been the result of the struggle between opposites. The fact that opposites under socialism are not antagonistic, and that both sides of the contradiction are in favor, so to say, of the development of socialism is a different matter. Contradictions frequently are linked with development difficulties, the struggle against the old, and subjective management errors. Such difficulties do arise. However, it is not they that determine the typical aspect of social contradictions in the socialist society. Views are also expressed to the effect that contradictions under socialism undermine its unity. All such views are faulty and are based on the erroneous and superficial interpretation of social contradictions. They do not consider contradictions under socialism a source of socioeconomic development. M. Suslov has justifiably pointed out on this subject that, ". . . Views that contradictions under socialist conditions disappear or are merely a 'disease,' an 'ailment,' or a 'shortcoming,' contradict the basic concept of Marxist-Leninist theory, and the real practice of the building of socialism. . . . The distinguishing nature of socialism is not the absence of contradictions in general but the absence of antagonistic contradictions."³

"Development is the struggle between opposites,"⁴ Lenin said. The unity of contradictions is always relative, temporary, while the struggle between them is absolute, eternal. This applies to all, including social, processes. The characteristic feature of social contradictions is that they express respective social relations and are linked with the subjects carrying them. In practical terms, they are contradictions between the subjects of social relations and among each one of them, and the contradiction in its entirety.⁵ The subject of a social contradiction is interested both in the fate of his correspondent as well as in the development of the contradiction as a whole, the acceleration or the delay in its solution. A substantial feature of the social contradiction is that its development and solution took place through the conscious activities of the people, through the clashing or combination of their interests, aspirations, and objectives, encouraging their actions.⁶ This

is not to say that social contradictions are imaginary, that they do not exist objectively. Conversely, conscious action is, in itself, an expression of objective necessity. "We cannot avoid the circumstance," Engels wrote, "that anything which leads a person to act must pass through his head."

These features of the social contradiction are applicable to all societies, including socialism. What is special in contradictions under socialism and communism is that they exist within the framework of the unity of the basic interests of the people, determined by the public ownership of productive capital, and that both sides of the contradiction are of a socialist nature, and that neither of them rejects it. That is what makes them nonantagonistic. They develop on the basis of the social unity of society, affect one or another aspect of social relations, and do not affect the basic feature of their social nature. Under socialism social contradictions do not affect its basic problems. Lenin stated that the nonantagonistic nature of contradictions under socialism does not negate the struggle of opposites. However, this is a struggle "of a special kind," a method for surmounting "an entirely different resistance. . . ." This is based on the fact that under socialism the grounds for division are not "necessarily laid" since "the socialist system is based on the cooperation between the two classes."

Social contradictions form a system within which we could distinguish among several subsystems. In this article we focus on one of them--the economic. It covers contradictions in public production, distribution, turnover, and consumption, separately for each phase as well as among them. Economic contradictions have a determining significance in the totality of social contradictions, for they are contradictions of the economic base of society, of its production relations.

As in any other system, we could single out within the system (subsystem) of economic contradictions those among them which perform leading or other specific functions. Most important here are the basic and the main economic contradictions. The basic is the one with determining, guiding functions within the overall system of economic contradictions. It forms the nucleus of the system. In addition to it, the main economic contradiction has a leading significance. The difference between the basic and the main contradiction is, first of all, that the basic contradiction pertains to the social system as a whole, to all its phases and stages (with proper modifications), whereas the main contradiction applies to individual periods in the development of the system and, occasionally, to individual phases or stages, and even shorter periods; secondly, the basic contradiction affects the main aspects of production relations and their nature, whereas the main contradiction may apply to some secondary relations; thirdly, within the framework of a given socioeconomic system the basic contradiction is steadily renewed whereas the main contradiction may be resolved definitively even before the social system has been changed.

The main economic contradiction to which we draw the attention, consequently, is the one whose solution assumes the importance of the most important factor at a given stage and which determines the further development of society. Its solution eliminates the most important obstacles facing the economy at a given historical moment, provides an impetus for the further economic upsurge of society, and creates prerequisites for the solution of other contradictions in production relations. The discovery and definition of the main economic contradiction under socialist conditions arms society with knowledge of the direction along which the basic efforts must be channeled in a given historical stage in order to open the way to further economic development or surmount the main obstacles facing the economy.

Bulgaria's Main Economic Contradiction at the Present Stage

Neither party and state documents nor published data offer formulations for determining which is currently the main economic contradiction in Bulgaria. Yet, contradictions have been formulated. In our view, their functions are similar to definitions of the main economic contradiction. We have in mind here, above all, the contradictions of our economy expressed at the National Party Conference (1978).

In his report to the conference, Comrade T. Zhivkov pointed out that a contradiction developed in our country "between the rapidly developing economy, increased complexity of ties in the production and nonproduction areas, and the objective requirements of planned and proportional development of the country, on the one hand, and a considerable lagging in the organization of labor and planning, on the other."¹⁰ This is a contradiction of our development, of the need to coordinate the organization of labor with changes in the economy.

We know that a consistency must exist between the level of production process and its organization. Otherwise the internal rhythm of output is disturbed and its ties are broken. Naturally, this restricts its effectiveness as well. Such has been, precisely, the danger which faced our economy in recent years. The National Party Conference exposed the nature of this contradiction and indicated means for its successful and fast as possible elimination.

The contradiction between the level of economic development of the country and the social organization of labor in the national economy--the briefest way to describe this contradiction--emerges today on the foreground. Its aggravation concealed the real danger of hindering social development and of failure to utilize the great possibilities of the economy. Conversely, its timely solution creates conditions for rapid economic progress, and for surmounting the obstacles which face the national economy and hinder its development. The solution of the contradiction assumes a primary significance in the further upsurge of the national economy, attaining the economic level reached by the

advanced socialist countries, coordinating the development of the economy with the requirements of the scientific and technical revolution, and achieving the main objective of our society--the satisfaction of the steadily growing needs of the people and the creation of prerequisites for the comprehensive development of the individual. In our view, the decisive role which this contradiction plays in our economy provides sufficient grounds for classifying it as the main contradiction. This means that today it has arisen in its entire magnitude and that its solution will enable us to surmount the greatest hindrances in our socio-economic development.

The contradiction between the economic level reached by our country and its organization of labor is based on our development conditions; on the one hand, it is determined by the high level equipment installed in the production facilities, its inherent high labor productivity, and the depth and complexity of economic relations in the social production process, and, on the other, the nonconsistent organizational-economic structure of the national economy, and of the methods for planning its development and for stimulating production-economic units and immediate producers. The contradiction is objective. It is inherent in socialism and in its steady development. Under our circumstances, however, it was aggravated as a result of the delayed and inaccurate determination of the ways and means for its solution and the insufficient training of performing cadres regarding this process. The aggravation of the contradiction is not objectively necessary or mandatory. Its origin is subjective. This stipulation is very important, for it also determines the basic directions for its solution, the processes related to it, and the time within which this could be achieved. The subjective reason for the aggravation of the contradiction does not eliminate its status as being the main contradiction of the moment. It acquires this function because its solution is of prime significance and plays a decisive role in the development of the economy at the present stage.

The conclusion that the disparity between the level of the economy and the social organization of labor is the main economic contradiction facing Bulgaria at its present stage of development determines the attitude which the party, the state, and the people must adopt concerning its solution. It indicates that in order to surmount it all social efforts must become involved. The conclusion that the main economic contradiction in our country has become aggravated currently as the result of subject reasons also determines the direction of the main efforts which are focused on the subject of the management process, and on the organization of the labor process in the national economy it has created. This organization must be made consistent with the objective requirements of social development at its present stage.

The formulation of the main economic contradiction in the present development of our country faces us with the problems of the nature and forms of labor (or production) organization: a problem which the National Party Conference considered basic.

Usually, the concept of "organization," including the organization of labor, is used to express purely technical-organizational aspects of the social production process. This is indicated by its very name. Without denying this aspect of the concept, let us emphasize another one in this case: to express a definite condition of a specific social system and the consequent forms of its self dynamics. Each system, including the economic, has its inner structure, an objectively necessary correlation among its structural components, and specific internal forms of existence and motion. It has internal harmony and proportionality. They are the prerequisites for its existence and functioning. The structure inherent in the system forms its internal organization. It expresses the functional relations among the elements within the system and their balance and dynamics--generally speaking, the nature, social content and functions and forms of the system. In this sense the organization of labor should be considered an economic category whose social content is determined by the characteristics of the social system.

The contradiction between the level of the economy and the social organization of labor is caused by the dynamic nature of the economy. The social organization of labor must develop in order to adapt to the changing conditions and to contribute to their appearance and development. In a word, it must be dynamic as well. This, however, is achieved not automatically, by itself. Society must be aware of the objectively necessary changes in the organization of labor in order to create conditions for their manifestation and take them into consideration. Unless this is accomplished on time, the contradiction is aggravated, as was the case in our country.

Before undertaking the study of the specific means for surmounting the main economic contradiction in our national economy at present, we must consider the problem of its future. We already mentioned that it was aggravated as a result of some subjective reasons. We also mentioned that this circumstance offers the possibility for the gravity of the contradiction to be rapidly eliminated, thus depriving it of its functions as the main contradiction. These notes are important, for they indicate that in a short while the function of the main economic contradiction in our national economy could and should be assumed by another contradiction which will determine the main processes of our economic development. Which one will that be?

The theses of the National Party Conference indicated that one of the major disparities in our economy is the one between the achievements of the scientific and technical revolution and their utilization.¹² The surmounting of this disparity determines the most important factor of the current economic development--the steady rising of labor productivity. Many phenomena in our life indicate that in the future economic growth will be determined mainly by production intensification. This requires the extensive use of the achievements of the scientific and technical

revolution. Falling behind in this area will strongly aggravate a number of other economic contradictions.

The contradiction between the achievements of science and technology, on the one hand, and the possibilities of the economy to take them into consideration and apply them in the production process, on the other, is inherent in a modern economy. Its solution is the main origin for technical and economic progress and for the rapid and effective upgrading of labor productivity. It is precisely this that determines its significance to the economy and the trend to its becoming the main contradiction within the immediate future. On this basis the party's Central Committee has stipulated that the next, the Eighth Five-Year Plan will be a five-year plan of technical progress. The implementation of the plan for the development of the national economy in 1980 should be such as to prepare the economy for the solution of this problem at a faster pace.

A number of phenomena in our economic life indicate the danger of an aggravation in the contradiction between the achievements of the scientific and technical revolution and the possibilities of the economy to take them into consideration and apply them in the production process. This is confirmed, for example, by the still substantial lagging of our labor productivity behind the level reached by other socialist countries and by the highly developed capitalist countries, the inadequate intensive domestic and international production specialization, particularly in assemblies and parts, the unsatisfactory effectiveness of capital investments, lagging in the automation of production processes, slow renovation of output, and others.

The ways, means, and methods along which the process of surmounting the future main contradiction in our economy will develop have been brought to life and conditions for their implementation are being intensively prepared. The main ones among them are indicated by the study of the processes which could aggravate the contradiction. They include, for example, upgrading the effectiveness of capital investments, production intellectualization through the utilization of scientific and technical achievements domestically and abroad, improvements in production technology through the use of electronics and microelectronics, improvements in the sectorial structure of the production process, and others. Not least is the solution of the contradiction between the requirements and the possibilities of the contemporary production process and the organization of labor, which is today the main contradiction. The elimination of the factor triggering its aggravation will make the economic stimulation of technical progress and its conversion into a nationwide project possible.

Ways for the Solution of the Main Economic Contradiction

The nature of the main economic contradiction also predetermines the basic ways for its solution. As we pointed out, it is in the area of

the social organization of labor. That is why the means for its solution are found in its improvement, in the development of its elements and in their adaptation to the requirements of the contemporary production forces in the country. More specifically, proceeding from the nature of the socialist organization of labor, this process covers, first of all, the improvement of the organizational and economic structure of the social production process and, secondly, the forms of its functioning and dynamics.

In terms of the first aspect, i.e., of the organizational-economic structure of the public production process, a number of disparities must be surmounted, accumulated in the course of its past development or developed as a result of unsuccessful solutions aimed at its improvement. Essentially, they may be reduced to the elimination of the unnecessary relative enclosure of some production-economic processes within the frameworks of the individual departments and economic trusts. This hinders the more immediate management of the public economy, the creation of most effective production specialization, and the reaching of relatively most efficient internal relations within the national economy. We must establish the most suitable form of the economic unit, regulate its functions, obligations, and rights, determine the functions of economic departments, and develop the most suitable system for social production specialization. A way for the solution of these problems has already been found. After a certain period of searches and of some not entirely successful solutions, the 11th Party Congress gave the line and the National Party Conference and some Central Committee plenums concretized its implementation. Actually, in its most general aspects, this line has already been implemented.

The economic combines were adopted as the basic economic structural units in industry and in the other national economic sectors. The combine offers prerequisites for a more direct management of production and economic affairs and for eliminating some unnecessary steps in the organizational and economic structure of the national economy. It surmounts the relative closeness which existed in the recent past in a number of economic trusts and which hindered the efficient solution of some problems of material and technical supplies in production specialization.

In order to achieve greater public production effectiveness, it was decided to apply the national economic aspect to specialization processes. This eliminates a number of sectorial and departmental restrictions which considerably lower its effect. Production specialization, aimed at satisfying the needs not of individual economic organizations or departments, but of the entire national economy, was formulated as the main task. To this effect the so-called production echelons are being developed. Their task is to create the broadest possible prerequisites for extensive specialization by some of the echelons. This specialized output will meet the needs of the entire national economy. Their organization requires substantial preparations essentially in the area of production standardization and unification.

The second aspect of the organization of public production, as we pointed out, is the improvement of the forms of functioning and dynamics of the social production process. In our country this task was formulated by the National Party Conference as a process of application and further advancement of the economic approach in national economic management. Actually, it is a question here mainly of the application of a method inherent in socialism but whose requirements were not entirely observed in our country or, rather, for which the most accurate forms of adaptation to changed circumstances were not found, which aggravated the contradiction between the development of the economy and the social organization of labor.

The nature of the economic approach is determined by two very important aspects: The first is centralism, based on the social ownership of productive capital; the second is decentralization required by the economic autonomy and separation of economic units. A natural contradiction exists between centralism and decentralization, which must be surmounted. Surmounting it does not mean that one or another of its aspects are eliminated, but the creation of a method which combines them, for this is typical of socialism, inherent in it, steadily reproducing itself, and requiring a constant solution.

The economic approach in national economic management is determined by two other aspects as well: planning, which is inherent in social ownership, and the commodity-monetary nature of the dynamics of commodities in the process of their production and marketing. Naturally, a contradiction exists between planning and commodity relations. Unjustifiably, occasionally this contradiction is rejected in economic publications. Usually, it takes the form of a reaction to claims that planning and the commodity nature of production are incompatible, that they are antagonistically contradictory, that planning excludes commodity marketing, and so on. In order to counter such truly erroneous concepts, a number of economists totally reject the commodity nature of the dynamics of output, considering them only as external, formal, and unsubstantial. Others, realizing the disparity between such concepts and the reality of life, reject them without penetrating into the real nature of the phenomena. They essentially reject the autonomous significance of commodity relations in the development of the socialist economy and in its management. In such cases commodity relations are reduced merely to the level of an "instrument" for the planned management of the economy, thus rejecting their autonomous roles in this process, their requirements, and the need for society to take them into consideration. Meanwhile, reality presents an entirely different picture.

Planning and commodity-monetary relations are internally inherent in socialism. They exist factually and are needed by society. Their co-existence is one of the most characteristic features of the socialist economy. Nonantagonistic contradictions exist between them, also objectively necessary and steadily reproduced. Their solution is one of the

motive forces of the socialist society. The underestimating of both forms of production relations, as well as of the contradictions between them does not reflect their role and significance in the national economy. However, the contradiction does not raise the dilemma of having either planned or commodity relations. Such a dilemma does not exist. Hence the conclusion that the economic approach in management must be based on both forms of socialist production relations and must contain planning and the requirements of the law of value and of commodity-monetary relations.

In conclusion, we could provide a definition of the nature of the economic approach in national economic management. In our view, it is expressed, first of all, in the planned search for economically most effective solutions for the operation of the economy both on the level of the entire national economy and on the local level; secondly, in the creation of material incentives for the producers and of conditions for material liability in the organization of the public production process at all levels. The basic prerequisites for the application of the economic approach include the creation of a suitable organizational-economic structure of the public production process, based on the economic autonomy of the economic units and the application of a suitable economic mechanism for the functioning of the national economy, consistent with the leading role of planning and of the commodity-monetary nature of the dynamics of output.

In terms of the economic approach in the management of the national economy a number of erroneous views have developed, which do not help in the least its full application. According to some, the economic approach conflicts with the administrative approach. This is both true and false. The economic approach is impossible without the use of administrative methods for managing the economy. This is required by centralism and planning. For example, in order to be effective rather than a mere wish, the plan must have administrative authority. The problem, however, does not apply to the plan alone. The problem of prices is similar. Prices are not set spontaneously. By virtue of the public ownership, a basic percentage of the prices should be either set or regulated on a centralized basis. This too is an administrative activity inseparable from the price setting process. It is not a question of rejecting administrative activities in management but of rejecting its excessiveness, of bureaucracy and red tape in this process, as they are distortions of administrative activity.

Another erroneous concept is the reduction of the economic approach to the utilization of commodity-monetary relations for the purpose of stimulating economic processes. The introduction of the economic method, according to such concepts, would mean restricting planning and expanding material incentives through the utilization of commodity-monetary relations. However likely this might appear at a first glance, the formulation is erroneous and, we would say, far more harmful than the

previous one, for it groundlessly pits the planning of material incentive against planned commodity-monetary relations. According to it, the broadening of the economic approach would mean a reduction of centralism and restriction of planning. The truth is that the economic approach is a combination, a balance between planned and commodity relations. The fact that the economic approach contains two relatively separate methods--the planning and the market (commodity)--between which the contradictions which must be resolved exist, is a different matter. Both, however, are inherent in the economic approach and represent its internal elements.

At the present stage of our country's development, the economic approach is the most necessary. It must be used intensively in economic management. This aspect has been emphasized in our party's latest documents as well. Addressing the Constituent Congress of the NAPS [National Agroindustrial Union], Comrade T. Zhivkov stated that, "We must systematically apply the economic approach to the overall production and reproduction process in our country. Metaphorically speaking, the economic approach will add fresh blood to the system of ways, means and mechanisms we are currently utilizing and promote their full utilization. Our weakness is that, so far, we added little fresh blood to this system."

Under these circumstances, the following question naturally arises: What is the objectively necessary ratio between centralism and decentralization inherent in the economic approach? I. Kuznetsov answered the question as follows: "... It could be said that the strengthening of the centralized principles in economic management follows the line of setting a target for the activities of the production units, while broadening the autonomy of the latter follows the line of the choice of methods for achieving such objectives." This is a correct answer but, in our view, not entirely complete. The purpose of the economic organization should be indeed determined on a centralized basis. However, this must be preceded by a coordination with it and a consideration of its possibilities, the contracts concluded with other economic organizations, current prices, and so on. Extensive practical experience in planning has confirmed that the central planning organs are unable to define in physical terms the output which a given economic organization should produce unless they ask it and unless the latter shows an interest in such output. In the process of such "asking" we should seek the factors which do not contribute to the full implementation of the tasks set by the central organs and the wishes of the economic organizations. Conditions must be created for the full coordination of interests. This means that the tasks of the economic organization "of selecting methods for implementing its objective" may not be reduced merely to internal organizational-technical production processes, but affect targets as well. The economic organization becomes a co-participant in such targets. It participates in their setting and helps in their precise formulation.

The further application and improvement of the economic approach in national economic management calls for the solution of economic contradictions within its two basic components: planning and commodity-monetary relations. In the field of planning activities they were aggravated essentially in terms of planning technology. Their solution has been and continues to be found through decisively reducing centralized mandatory indicators; raising the planning functions of departments and economic organizations; intensifying balancing and proportionality in the national economy at all levels; improving the system for the formulation and utilization of control figures in the formulation of plans; creating engineering plans as one of the foundations for planning; broadening conceptualizing, programming, systems, comprehensiveness, optimality, and long-term planning features; strengthening the norming base in the determination of planned requirements and production outlays; improving the planning of foreign economic relations, and so on.

Contradictions in commodity-monetary relations at the present stage in development of our economy were focused mainly in regulating relations among economic organizations and between them and the state, promoting cost accounting and the related processes of distribution of income within the economic organization, price setting, etc. Their solution should have been coordinated and subordinated to a single objective, and follow a single line. The separate and partial solution of individual contradictions cannot be effective, for it would create new contradictions or aggravate existing ones.

Contradictions among the economic organizations in commodity-monetary relations were related to two basic processes: the means for regulating their interrelationships, and the price setting system for commodities which they purchase or sell from and to each other. In connection with the relations among economic organizations, attention was focused mainly on strengthening and totally regulating contractual relations through which they are settled. Contracts among economic organizations are a basic manifestation of their autonomy and separate functioning. The task in this area is for contractual relations among enterprises to become an effective factor for the rhythmical movement of commodities. Unlike the previous situation, they have now been expanded to encompass relations among branches of economic organizations and between them and the economic organization as a whole. This creates a broader base for their effective action.

Contradictions in prices and price setting were expressed mainly in insufficient effectiveness of their influence on producers. This was caused by the gap between prices and socially necessary production outlays and trends in the domestic and international markets. For this reason they did not encourage the producers to lower their outlays of energy, raw materials, and materials, find their way in the market circumstances, and produce goods in demand. The solution of this contradiction in this area was sought in making domestic wholesale prices

consistent with corresponding international prices. In the future reality will prove the extent to which this solution will resolve contradictions in this important area of economic activities.

Resolving contradictions in the field of cost accounting was of very great importance to the economy. Cost accounting, actually, is a manifestation of the autonomy of the organizations. Its violation violates the autonomy of the enterprises and lowers or eliminates their material incentives. This was, precisely, a substantial manifestation of contradictions within the economic organizations in our country. Their solution was sought in the creation of material prerequisites for strengthening the self-support of the enterprises through improvements in their income distribution system. To this effect specific funds were set up, first to regulate the distribution and consumption income and, second, to finance technical progress through the modernization and reconstruction of productive capital. Linking enterprise income with that of its workers and employees was of very great importance. The full implementation of the intent in this area raises the significance of internal cost accounting and, particularly, of brigade cost accounting. It creates the possibility to take into consideration most precisely the contributions of the individual brigade and of the individual worker within it to improving economic results from the activities of the entire enterprise. The success of solutions in the area of improving cost accounting largely depends on the proper and overall application of brigade cost accounting.

We mentioned some problems related to the main economic contradiction in the present stage of development of socialism in our country and the basic means for its solution. Our task is to determine the inner relations among some party decisions in the field of economic management, their place in the overall development of the national economy, and their role as factors promoting the dynamics of our society. We proceed from the prerequisite that entering into the essence and determining the significance of these measures will contribute to their fuller realization, mastering, and overall application.

FOOTNOTES

1. N. D. Kolesov, "Zakon sootvetstviya Proizvoditelunyykh i Proizvolstvennykh Otnosheniy pri Sotsializme." [Law of the Consistency Between Production and Producing Relations Under Socialism]. Leningrad, 1973, p. 75 and following; G. M. Shtraks, "Sotsialunoye Protivopechiye." [The Social Contradiction]. Moscow, 1977, p. 6 and following.
2. K. Mogilunitskaya, "Ekonomicheskiye Protivorechiya sotsializma." [Economic Contradictions of Socialism] *EKONOMICHESKIYE NAUKI*, No 2, 1977, p. 10 and following.

3. M. A. Suslov, "Velikoe Pyatidesyatiletie," [The Great 50th Anniversary] in the book "Velikiy Otktyabr' i Mirovoy Revolyutsionnyy Protsess," [The Great October and the World Revolutionary Process], Moscow, 1967, p 27.
4. V. I. Lenin, "Such," [Works], Vol 38, p 358.
5. G. M. Shtraks, Op. cit., p 12.
6. B. Syuyukalov, "Sotsialisticheskoye Obshchestvo: Problemy Dialektikh Razvitiya" [The Socialist Society: Problems of Development Dialectics], Moscow, 1973, p 38.
7. K. Marx and F. Engels, "Such," Vol 21, p 287.
8. "Leninskiy Sbornik" [Leninist Collection], Vol 111, p 494.
9. V. I. Lenin, "Such," Vol 33, p 486.
10. T. Zhivkov, "Za Usuvurshenstvuvane na Sotsialisticheskata Organizatsiya na Truda i Planovoto Rukovodstvo na Ikonmikata." [For Improving the Socialist Organization of Labor and Planned Economic Management], Sofia, 1978, p 20.
11. In the final account, it is a manifestation of the contradiction between the developing production forces and the relative lagging of production relations. In this sense the contradiction is sociological. Here it is arbitrarily classified as economic, for we are discussing its economic aspects alone, ignoring the other elements of the sociological structure.
12. "Za Usuvurshenstvuvane na Sotsialisticheskata Organizatsiya na Truda i Planovoto Rukovodstvo na Ikonmikata." Decision and Theses of the National Party Conference, held on 20 and 21 April 1978, p 13.
13. I. Konnik, "Plan and Market in the Socialist Economy." VOPROSY EKONOMIKI, No 5 and following, 1966.
14. Speech by Comrade T. Zhivkov at the Constituent Congress of the NAPS. RABOTNICHESKO DELO, 30 March 1979.
15. I. Kuznetsov. "Cost Accounting: New Prospects." PRAVDA, 14 September 1979.

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SCIENTIFIC-TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES EXAMINED

Sofia VUNSHINA TURGOVIYA in Bulgarian No 12, 1979 pp 12, 13

[Article by Vasil Stefanov, Tekhnoinpeks general director: "The Bulgarian People's Republic in the International Scientific and Technical Cooperation With the Developing Countries"]

[Text] The extensive application of the achievements of scientific and technical progress and the consequent need to establish and intensify all-round cooperation among countries in the fields of economics, science, technology, culture, and so on, through the introduction of a variety of forms of scientific and technical cooperation, is a determining feature of contemporary socioeconomic progress. One of its essential manifestations is providing scientific and technical aid which benefits to the greatest extent, above all, the developing countries.

The rejection of the age-old colonial slavery did not relieve the developing countries from the economic dependence which existed between them and the former mother countries. Along with the lack of capital, the scarcity of highly trained cadres possessing scientific and technical experience, capable of managing the complex modern equipment, has strongly restricted the possibilities of the developing countries to reach the economic level of the industrially developed countries in the world, to the extent to which this prevents the application of scientific and technical achievements in material production. That is why the use of the experience of foreign specialists who could competently manage some individual sectors is of decisive importance to the developing countries.

Bulgaria is one of the countries which really appreciates the difficulties of the developing countries which have taken a democratic type of development. For over 20 years it has given them comprehensive scientific and technical aid which has included the services of highly trained specialists. The aid to the developing countries in their struggle for social and economic progress is Bulgarian state policy, ratified with a number of party and government decisions, and characterized by all the features constituting the determining principles of the overall foreign policy of our country--equality, respect for sovereignty, independence, and national interests, mutually profitable cooperation, and mutual aid.

The confirmation of this steadfast line of friendship and mutual aid with the developing countries which have taken a democratic path of development were the summit meetings between M. Qadhafi and Comrade Todor Zhivkov, the visits which Comrade Stanko Todorov paid in November 1977 to Tanzania, Zambia, and socialist Ethiopia, as well as the friendly visits paid by our party and state leader in the autumn of 1978 to Nigeria, Angola, Mozambique, socialist Ethiopia, and the People's Democratic Republic of Yemen.

The Bulgarian specialists sent to the developing countries actively participate in the new progressive changes in socioeconomic life, contributing to the development of an infrastructure of the national economies, and participating in economic planning, development of health care and education systems, and agricultural reorganization. Bulgaria has already gained considerable successes in this highly noble and humane activity as confirmed by the requests of the developing countries for an ever rising number of Bulgarian specialists in the years to come. Most of our specialists abroad are higher engineering-technical cadres (in Libya, Angola, Algeria, and Tunisia), teachers training local cadres (in Morocco, Tunisia, Algeria, Mozambique, and Nigeria), advisors and agricultural specialists (in Angola, Mozambique, and Tanzania), medical workers (in Libya, Tunisia, and Algeria), and others.

In recent years the number of Bulgarian specialists lent to developing countries to provide scientific and technical assistance has increased considerably. The number of countries to which Bulgaria is providing scientific and technical assistance has increased, giving priority to the requests of countries which offer favorable conditions for the development of other forms of economic and scientific and technical cooperation, and the effective development of foreign trade relations.

The purpose of economic and scientific and technical assistance is to help the national economies of Arab and African countries taking a socialist or a democratic, nonimperialist, development course. Bulgaria considers such countries promising partners who, with the help of the socialist CEMA-member countries within a relatively short time, could strengthen their national economies and participate on an equal basis in the international division of labor.

In connection with the contemporary requirements facing the management system in our country, the strategy governing the management of foreign economic relations, and party and government decisions on upgrading the effectiveness of foreign economic relations with the developing countries, a new comprehensive approach must be established to scientific and technical aid as a particularly important form of scientific and technical cooperation. This also determines the finding of decisions on some still existing problems in the implementation of such highly responsible activities.

The predominant political effect of scientific and technical assistance to the developing countries calls for raising to a higher level the selection of Bulgarian specialists to work abroad. Past experience has confirmed the existence of some omissions. The selection of highly skilled specialists with good political and linguistic training has been assigned to the economic ministries, departments, and complexes which, along with their basic regulated functions, are in charge of this work among others. The lack of reserves hinders any fast reaction to demands made by developing countries requesting many specialists needed for their socioeconomic development. In this connection it is mandatory to organize an economic mechanism which will make it incumbent upon economic ministries, departments, and complexes to train in advance the necessary reserves to be assigned abroad. This could be based on mandatory plan ceilings and indicators coordinated with the five-year plan for manpower resources. The recruitment of proper contingents without a reserve planned and trained in advance creates difficulties in the implementation of state planned assignments by individual economic complexes and departmental systems, as the result of the disturbance of the manpower balance, as well as in implementing the obligations assumed by our country on assigning specialists to some developing countries. In accordance with the requirements of Council of Ministers Decree No 25, dated 25 May 1979, on improving the management of foreign trade, economic incentive must be used in ministries and departments selecting specialists to work abroad. At the same time, their responsibility must be increased concerning the professional skills and moral and political qualities of Bulgarian specialists considered for work abroad. The primary party organizations should bear certain responsibility as well. They should be the only ones with the right to issue character references for candidates to work abroad. This would largely restrict personal management, subjectivism, and the existing formalism in signing such references.

Raising the requirements governing the selection of Bulgarian specialists willing to work abroad should also be manifested in the introduction of improved methods for the selections made by economic ministries, departments, and complexes, based on competition (with the help of tests, for example), and others. This would make it possible to single out specialists who would really be proper representatives of our socialist way of life and would contribute to enhancing the prestige of our homeland as a country which has achieved considerable economic, scientific, and technical successes.

Providing effective aid to the developing countries also calls for directing activities related to the assignment of specialists toward key, determining economic sectors, as advisors, experts, instructors, chief designers, heads of important management units, and so on. This aspect is not only of important economic but of great political and ideological significance.

A number of other problems also exist concerning the problem of linguistic training of the specialists willing to work abroad, a matter which has not been coordinated with the assignment of highly skilled cadres to provide scientific and technical assistance to developing countries. The linguistic training of the specialists assigned to work in foreign departments is a very important problem, for their success and prestige largely depend on their good mastery of the spoken language. For this reason, it would be necessary to expand language training and improve its forms and methods based on practical use, extending the time for language studies on a full-time basis, long-term assignments with Bulgarian trade and economic services in countries to which we assign Bulgarian specialists, and of teachers in the respective spoken or working language, for the sake of improving the linguistic skills of the specialists on the spot, and so on.

With a view to the long-term securing the needs of the country for specialists with a firm linguistic training, a unified system of cadres who have mastered, can use, or are studying Western languages (English and French) and Arabic should be organized. This would include graduates of foreign language high schools. In this connection it would be expedient to apply the rich experience of the other socialist countries, of the USSR above all, where additional one-year language training is offered to selected student groups among graduates of VUZ in scarce skills. Subsequently, such groups become potential cadres for scientific and technical assistance.

The development of an overall strategy for scientific and technical aid given the developing countries should also be consistent with the possibilities of the individual countries to link such activities with specific forms of other foreign economic relations such as, for example, the granting of engineering and technical cadres along with deliveries of complete projects, machines, and equipment, of agricultural specialists with shipments of agricultural equipment and chemical fertilizers, and physicians and medical teams which would accompany shipments of Bulgarian pharmaceuticals and medical equipment. This way the problems of economic and scientific and technical cooperation could be considered on a comprehensive basis at intergovernmental meetings. This, in turn, would contribute to the further expansion and intensification of our comprehensive relations with a number of developing countries.

At the present stage problems of scientific and technical cooperation play an important role in the overall foreign economic policy of the Bulgarian people's republic and should remain a subject of particular attention and close study. Improving activities related to providing scientific and technical aid through the assignment of specialists, and the development of new methods are prerequisites for strengthening our friendly relations with a number of Arab and African states following a democratic path of development. The assistance they receive from the socialist countries contributes to the strengthening of the national

economies of the young states, the creation of their own heavy industry, the development of new production sectors, and the more efficient utilization of natural resources and manpower reserves. This gradually raises the living standard of the population. These objectives, included in the most important documents of the communist and workers parties of the socialist countries, confirm their steadfast aspiration to actively contribute to a conversion of Asian, African, and Latin American countries into equal partners of industrially developed states, thus assuming their proper position in the international division of labor and the world's economy.

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INDUSTRIAL PRODUCTION DURING THE JANUARY-APRIL 1980 PERIOD

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 14 May 80 p 4

[Report by the Committee for Unified System for Social Information:
"Bulgarian Industry Between January and April 1980"]

[Text] The subunits of the industrial economic organizations overfulfilled their April marketing plan 8.4 percent. For the first 4 months of the year 99 percent of the planned income was received.

Compared with April 1979 output rose 5.3 percent. The growth for the January-April period was 4.4 percent.

The production of some basic commodities was as follows: [see following page]

Comment

The April results show further improvements in marketing by industry. Thanks to the overfulfillment of the plan for commodity output by 2.6 percent and the greater operativeness and flexibility displayed in prompt shipments to consumers, the monthly monetary income plan was overfulfilled 8.4 percent. The marketing plan for the first four months of the year was fulfilled 99 percent.

Despite improvements, a number of facts indicate that there still are subunits and economic organizations focusing their efforts mostly on the overfulfillment of the production plan while lagging in prompt sales. This was the case of a number of subunits of the Committee for Transport Machine Building, Committee for Casting and Plastic Treatment of Metals, the Plants for Metal Cutting Machines DSO [State Economic Trust], Elprom DSO, Resprom DSO, Glassware and Fine Ceramics SO [Economic Trust], Knittwear SO, and others.

A study of the reasons for lagging in the marketing of already produced goods has indicated that, most frequently, they may be reduced to the following:

	1) Медиа	2) Производство про- дукция прои		5) Измени- е апрел 1980 г. к апрел 1979 г.	
		3) апрел	4) январь-апрель		
6)	7)	млн. кВт.ч	27.4	1250	109.6
8)	Каменный уголь	млн. т	7.9	10341	10.1
10)	Брикеты	млн. т	1.	482	109.5
11)	Валцованы черни метали	млн. т	24	999	10.3
12)	Горячо валцована ламарина	млн. т	10.	416	10.6
13)	Ламарина с пластмасово покритие	млн. т	1.2	4.8	104.0
14)	Томанени тръби	млн. т	21	81	107.4
16)	Електронинструменти	млн. бр.	1	6	10.2
17)	Струлар	бр.	78	270	10.1
20)	Електротелфера	бр.	10395	40318	106.2
21)	Електрохоари	бр.	5.8	170.9	109.5
22)	Мотокари	бр.	120	7443	12.1
23)	Калцинирана сода	млн. т	1.8	488	102.3
24)	Азотни торове	млн. т	13	256	119.3
25)	Полетиленово фолио	млн. т	1.5	6.4	105.5
26)	Химически влакна в колония	млн. т	8.5	31.1	103.3
27)	Цемент	млн. т	45	1666	105.5
28)	Пласти от дървесни частици и други дървесни пласти	млн. м ³	7	103	111.0
30)	Хартия	млн. т	23	105	102.7
31)	Плоско стъкло	млн. м ²	3321	9394	108.9
32)	Домашински стъклари	млн. лев	210	89.7	129.9
33)	Фаянсови пласти	млн. бр.	1212	8142	155.9
34)	Домашински порцелан	млн. лев	2948	11971	24.6
35)	Вълнени платове	млн. м	38	12.8	113.2
37)	Копиянен платове	млн. м	38	11.1	107.8
40)	Горно трикотажно облекло	млн. бр.	1	13.3	11.3
41)	Месо	млн. т	37	133	99.1
42)	Растителни хранителни масла	млн. т	14	51	133.9
43)	Млечни масла	млн. т	1.5	7.0	101.5

Key:

- | | |
|---|--|
| 1. Measure | 23. Calcinated Soda |
| 2. Goods produced in | 24. Nitrogen fertilizers |
| 3. April | 25. Polyethylene sheets |
| 4. January-April | 26. Chemical fibers and fabrics |
| 5. Jan.-April 1980 in per-
cent of Jan.-April 1979 | 27. Cement |
| 6. Electric power | 28. Pressed wood and other wooden
tiles |
| 7. Million kilowatt hours | 29. Thousand cubic meters |
| 8. Coal | 30. Paper |
| 9. Thousands | 31. Pane glass |
| 10. Briquettes | 32. Thousand square meters |
| 11. Rolled ferrous metals | 33. Household glassware |
| 12. Hot rolled steel sheets | 34. Thousand leva |
| 13. Plastic-lined steel
sheets | 35. Porcelain tiles |
| 14. Steel pipes | 36. Household porcelain ware |
| 15. Thousand tons | 37. Woolen fabrics |
| 16. Electrical instruments | 38. Million meters |
| 17. Thousand pieces | 39. Silk fabrics |
| 18. Lathes | 40. Upper knitted clothing |
| 19. Pieces | 41. Meat |
| 20. Electric hoists | 42. Vegetable cooking oils |
| 21. Forklift trucks | 43. Butter |
| 22. Gas operated lift trucks | |

Unrhythmic production, as a result of which a large percentage of the output must be shipped out in the final days of the month. This seriously hinders its timely transportation and receipt of payments by consumers. For example, 30 percent of the goods produced during the month were shipped to the consumers in the last days of April;

Subjective weaknesses expressed in delayed preparations for marketing. For this reason 21 percent of the subunits in industry fell behind between January and April;

Lagging in commodity output. The four-month plan for this indicator was not fulfilled by about 15 percent of the subunits, mostly due to the underutilization of capacities as a result of breakdowns and unplanned repairs, violations of technological and labor discipline, and so on.

Particularly important items which determine the main material balances of the country were produced in excess of the planned figure for April. However, some production facilities fell behind. The Ministry of Metallurgy and Mineral Resources failed to produce some types of rolled ferrous metals. The Ministry of Chemical Industry did not fulfill the plan for phosphorus fertilizers; the Ministry of Construction and Construction Materials, for cement; and the Ministry of Forests and Forest Industry, for lumber, cellulose, and others.

The improvements achieved in the fulfillment of the industrial plan in recent months and, particularly, in April, indicate that the process of reorganization of the work in the spirit of the new and stricter requirements of the economic approach is accelerating. The same pace of work must be maintained in this direction. At the same time, attention should be given to lowering production material-intensiveness.

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BULGARIA

IMPORTS OF FERROUS METALS SURVEYED

Sofia VUNSHNA TURGOVIYA in Bulgarian No 11, 1979, pp 18-21

[Article by Prolet Ilieva: "The Foreign Trade of the Bulgarian People's Republic in Ferrous Metals"]

[Text] Ferrous metallurgy is one of the determining economic sectors. It is the base and prerequisite for a number of other industrial sectors directly related to it as consumers of its output--machine building, automotive manufacturing, ship building, construction, transportation, power industry, and others. The production, export, and import of ferrous metals are indicators characterizing the general economic development of a country, for which reason they are of substantial significance to it.

In Bulgaria the party and the government are devoting steady concern and efforts to insure the continuing and accelerated development of this important sector. Particular attention is paid to it also in the Basic Directions of the 11th BCP Congress for the General Economic Development of the Bulgarian People's Republic. Considerable assignments were set for the Seventh Five-Year Plan (1976-1980). It was planned that by 1980 steel production will reach 3.5 million tons, while the production of rolled ferrous metals would reach 4 million tons, compared with a respective output of 2.3 million and 2.5 million tons in 1975. To this effect, by 1980 the output capacities of the two metallurgical bases--the Kremikovtsi and Lenin metallurgical combines--will be reconstructed and modernized, reaching optimum capacity and high output and effectiveness. The 7th Five-Year Plan stipulated preparations for the building of a third metallurgical base with a most advanced technology.¹

Along with the high pace of development of domestic ferrous metallurgy, foreign trade plays a decisive role in meeting the needs of the national economy for ferrous metals. The ferrous metals group holds one of the leading positions in foreign trade by industrial subsectors. In 1978 it accounted for 4.5 percent of Bulgaria's industrial exports. It was in third place after exports of products of the machine building industry (44 p. ---) and the food industry (21.8 percent). It is third in imports as well, accounting for 10.2 percent, after products of the machine building (41.2 percent) and the fuel (22.9 percent) industries.²

As a result of the high pace of industrial development achieved in the course of 35 years of building socialism in our country, and the progressive changes which have taken place in the national economic ratios, foreign trade in ferrous metals has been developing at a faster pace. At the same time, in accordance with the tasks of international specialization and cooperation and socialist economic integration, the new directions followed in the development of Bulgarian foreign economic relations are contributing to the improvement of its structure in its commodity and territorial aspects.

In 1978 about 30 percent of the domestic needs for ferrous metals were met through imports.³ In the Sixth Five-Year Plan--1970-1975--Bulgaria's foreign trade in ferrous metals developed at an average annual growth rate of 10.7 percent. Imports outstripped exports. Within that period ferrous metal exports rose 50.4 percent, indicating a smooth average annual growth of 8.5 percent. The growth continued after 1975 as well, totaling 339.8 million leva in 1978. This trend will be retained in the future as well, as being consistent with the increased capacity of Bulgarian ferrous metallurgy. For example, the 1975-1980 plan calls for a 38 percent increase in the production of ferrous metals in Bulgaria or an average annual growth rate of 6.65 percent. Bearing in mind increased imports (an annual average of 11.5 percent for 1970-1975), the country's overall resources are adequate for insuring the growth of exports.

Bulgaria has a rich structure of ferrous metal exports, covering over 40 separate items. The following ten products account for a substantial share: thick steel sheets--26 percent; billets--13 percent; steel shavings--9 percent; steel sheets--6 percent; sectional steels--5 percent; steel ingots--4 percent; pig iron--4 percent; wire rods--3 percent; and thin steel sheets--3 percent. This metallurgical output accounts for about 80 percent of the export of ferrous metals, whose exports are growing steadily. In 1978 the country exported 476,000 tons of thick steel sheets, 243,000 tons of billets, 133,000 tons of wire rods, 71,000 tons of pipes, 41,000 tons of sectional steels and others.⁴ The exports structure is steadily changing, as the result of which the share of the products listed above have had different rates and development trends. Steel sheets, steel waste, wire rods, billets, steel ingots, and thick steel sheets have shown a rising trend, whereas the opposite has prevailed for thin steel sheets, sectional steels, pipes, and cast iron.

Promising items in Bulgarian ferrous metal exports are thick steel sheets, wire rods, steel sheets, sectional steels, and T- and V-shaped steel. A basically positive aspect in the shaping of the exports structure has been the increased output of more extensively processed items at the expense of less processed ones. The gradual and proper development of such structural improvements is a major prerequisite for achieving higher economic effectiveness in foreign trade.

Enriching the variety and quality of metallurgical output is another means for improving the exports structure and upgrading export effectiveness. Successes have been achieved in this respect. However, further efforts

must be made so that the exported goods may become more consistent with the strict requirements of the international market.

Black and white tin-plate, zinc-lined steel sheets, wire mesh, pressed goods, bolts, nuts, washers, and others are relatively new items in the export list. The quantities of such highly processed goods remain insufficient and will be increased.

The territorial directions of ferrous metal exports by our country vary: we are trading with about 30 countries. In most cases we are both exporters and importers according to specific requirements and the possibilities of our ferrous metallurgy. Our exports are almost evenly divided between socialist and nonsocialist countries, with some departures in individual years.

Exports to CEMA-member countries are steadily rising. Currently they account for over 90 percent of our exports to the socialist countries. Their variety covers all exports items. Particularly high are the shares of thick steel sheets, billets, steel shavings, sectional steels, and wire rods. The main importers are the USSR, the GDR, and Poland. The USSR accounts for 32 percent of our CEMA exports. In 1975 it accounted for almost 17 percent of our entire exports. We export to the USSR mainly T- and V-shaped steel, large sectional steels, thick steel sheets, pipes, and steel balls. We export to the GDR virtually all types of ferrous metals included in our export list. The biggest exports are thick steel sheets and wire rods. The predominant items in our exports to Poland are thick steel sheets, large sectional steels, ferromanganese, pipes, and steel balls.

Yugoslavia is a major importer of our metallurgical output. We export to Yugoslavia mainly T- and V-shaped steel, large and small sectional steels, wire rods, thick steel sheets, steel wire, and steel balls.

The volume of our exports to the non-socialist countries is rising steadily. Between 1970 and 1977 it rose by 60 percent. A favorable rising trend exists, thus insuring foreign exchange income for the financing of imports.

The developed capitalist countries have accounted for a relatively high share in some years (53 percent of all exports in 1976, for example). However, this level is flexible, occasionally dropping below the level of 1970--49 percent. This fluctuation is due to circumstantial changes in the international capitalist market and, particularly, administrative-protectionist difficulties which must be surmounted in exporting to the members of the European Economic Community.

The biggest importers of Bulgarian metallurgical output among the developed capitalist countries are Austria, the FRG, Italy, Belgium, and France.

Our exports to Austria include pig iron, billets, T- and V-shaped steel, wire rods, thick steel sheets, and pipes. Exports to Austria began to rise steadily after 1973.

Our exports to the FRG include mainly billets, wire rods, and thick and thin steel sheets. Such exports have been rising both in tonnage and in percent of overall ferrous metal exports. The FRG is our traditional partner and, at the same time, one of the biggest importers in the world (in second place after the United States). This is a favorable prerequisite for the growth of our exports to that country.

In recent years we have increased our exports to Spain and Switzerland even though the amounts exported have been quite small.

There has been a decline in exports to Italy, France, and Belgium as a result of the strong competition provided by the developed capitalist countries on the EEC market and as a result of the restrictive measures taken by these countries governing imports of ferrous metals from outside the community.

Exports to Greece have been quite unsteady. A certain stabilization was noted after 1974. Bearing in mind that it is our neighbor and the general trend of development of economic relations with it on a mutually profitable basis, attempts should be made to increase such exports in the future.

Exports to the developing countries have shown a greater growing trend. In terms of numbers they exceed the industrially developed countries importing our goods. Between 1970 and 1977 exports to this group of countries doubled. In 1977 they exceeded 300,000 tons. The main importers are Turkey, Syria, Iran, Algeria, and Lebanon. We export to Turkey virtually all types of ferrous metals produced for export; Syria imports mainly billets and wire rods; Iran imports thick steel sheets, pipes, and some types of wire. Our exports to India are relatively stable even though small, consisting mainly of steel ingots, steel wire, steel sheets, and thick steel sheets.

All in all, rolled ferrous metals predominate in our exports to the developing countries; i.e., more highly developed products. This increases the effectiveness and promising nature of such exports. Naturally, certain difficulties exist related mainly to the instability in the implementation of the sociopolitical programs for social and economic development of some of these countries. However, they are not insurmountable.

The most important and secure means for surmounting obstacles in exporting our metallurgical goods on the international nonsocialist market are the following: 1. improving quality; 2. increasing variety in terms of type, brand, quality, and size; 3. insuring suitable packaging for the preservation of the quality of the goods in shipment. Improvements in these three directions will lead to a better satisfaction of the requirements of our foreign partners, thus increasing the competitiveness of our goods. High

quality and variety will fetch better export prices. This will directly improve the effectiveness of our foreign trade in ferrous metals. That is why it is both expedient and mandatory to focus our attention to making the quality of our metallurgical exports more consistent with current international standards.

Bulgaria's ferrous metal imports are characterized by their planned growth. During the Sixth Five-Year Plan imports rose 71 percent, having an average annual rate of growth of 11.5 percent. In 1978 the cost of imports totaled 758,700,000 foreign exchange leva or 23 percent above income from exports. The faster growth of imports is entirely consistent with the rapid increase of industrial requirements for ferrous metals in the course of the intensive development of the socialist economy. The high rates of industrial development of our country demand a high degree of availability of metals. In the present conditions governed by fast scientific and technical progress, it is impossible for a single country to meet its requirements for all types of metals entirely through domestic production. For this reason, participation in international trade and, more specifically, ferrous metal imports, is of substantial importance to the prompt satisfaction of the various needs for ferrous metals. Specialization processes are intensifying to an ever greater extent within the international division of labor. This leads to the characteristic trend in the international trade in ferrous metals for the same countries to be both exporters and importers.

The structure of Bulgarian ferrous metal imports covers over 50 items. A small percentage of them are relatively new--imported after 1974-1975--including some types of pipes, ferroalloys, bent shapes, rivets, metal cord, and so on. Along with their great variety, our imports are characterized by a great variety in the percentage of imported commodities. Eight basic imported goods account for about 80 percent of all imports. Based on 1977 data, the individual shares of these items are as follows (in percent): steel ingots, 41.8 percent; cast iron, 12.2 percent; sectional steel, 11.3 percent; slabs, 7.5 percent; structural carbon steel, 5.7 percent; thick steel sheets, 4.8 percent; and pipes, 2.4 percent. The remaining 20 percent of our ferrous metal imports account for between one and two percent each. More considerable among them are T- and V-shaped steel, railroad tracks, and steel sheets. Imports of strip iron, strip steel, wire rods, thin steel sheets, dipped steel, and others account for less than one percent each.

The share of the main product in our imports--steel ingots--has been rising steadily--by an annual average of 41.7 percent in the Sixth Five-Year Plan. From no more than 0.7 percent in 1970 it reached 37.6 percent in 1975 and 41.8 percent in 1977. In 1978 we imported 1.2 million tons of steel ingots as against 929,000 tons in 1975. The trend of a relative and absolute increase in imports of steel ingots will be retained in the future, for this is the starting product for the manufacturing of rolled ferrous metals and other more highly processed goods whose production in our country is being expanded to meet domestic and export requirements. We are importing

steel ingots exclusively from the USSR, a situation which will continue in the future.

The second highest item in our imports is cast iron. The imported quantities are rising steadily. At the same time, however, the production capacities of our ferrous metallurgy for cast iron are rising, as the result of which its share in the overall import of ferrous metals has been declining. It dropped from 17.6 percent in 1970 to 12.3 percent in 1977. Cast iron is imported entirely from CEMA-member countries, mainly the USSR and Poland. In 1978 imports totaled 801,000 tons (including metallurgical and casting).

After steel ingots and cast iron, rolled ferrous metals account for a considerable share of our imports: sectional steel, slabs, structural carbon steel, thick steel sheets, T- and V-shaped steel, railroad tracks, and others. Over 85 percent of the rolled metals are imported from CEMA-member countries whose share is rising steadily. We import about 1.4 percent from the other socialist countries--Yugoslavia and the Korean People's Democratic Republic--while the balance comes from the developed capitalistic countries and India.

The share of rolled ferrous metals in our overall imports is declining steadily from 66 percent in 1970 to 35 percent in 1975 and 30 percent in 1977. This relative decline, and, particularly, reduced imports of steel ingots and cast iron, is a positive phenomenon which contributes to improvements in the commodities structure and upgrades import effectiveness, for in this case the share of highly processed and, respectively, most costly products on the international market is reduced. Most generally, this represents savings in foreign exchange.

The increased share of CEMA-member countries is a positive aspect in the development of rolled metal imports.

Steel pipe imports are also showing a declining trend as the result of the growth of such output in our country. We import pipes from CEMA-member countries, whose share has been rising, and from some developed capitalist countries.

Among the remaining import products a rising trend is shown by iron castings and ferroalloys. Characteristic of the import of ferroalloys is their variety increases after 1975 in connection with the needs for increased amounts and greater variety experienced by our ferrous metallurgy, involving a variety of quality steels.

Imports of zinc-plated steel sheets, white tin-plate, carbon cold-rolled steel, welding electrodes, steel tables, and other goods requiring greater processing are declining. The socialist countries are our main import partners. Between 1970 and 1977 their average annual share accounted for over 70 percent of the entire imports. A large percentage of such imports are within CEMA, accounting for over 95 percent of our imports from the socialist countries.

Our biggest supplier among them is the USSR which accounts for 65 percent of our CEMA imports or over 50 percent of our entire imports for the 1970-1977 period. Following it, in declining order, are the GDR, Romania, and Poland. Our trade with the CEMA-member countries is taking place under favorable and mutually profitable conditions, in the spirit of the principles of socialist economic integration. Its comprehensive development is considerably assisted by the activities of Intermetal, the international economic organization created by CEMA in 1964. With the development of the integration processes our imports from CEMA-member countries will continue to grow.

Currently we are importing from Yugoslavia and the Korean People's Democratic Republic as well. They account for 3 percent and 0.7 percent of our imports from the socialist countries.

The share of the nonsocialist countries in our imports has been declining, from 25.6 percent in 1970 to 18.3 percent in 1977. We are buying mainly from the developed capitalist countries while the share of the developing countries (India, Algeria, and others) is under one percent.

From the developed capitalist countries we import mainly some types of rolled metals (sectional steels, dipped steel sheets), highly processed items, and pipes. These are products which, in the future, will come to a growing extent from domestic production and imports from the socialist countries. Our more important suppliers are the FRG with 14.4 percent; Italy, 3.3 percent; and Austria, Japan, and France, about 2 percent each in our imports from capitalist countries in 1977. The FRG and Austria are developing as promising partners. In the case of the remaining countries within this group, the annual import volumes vary without showing a definite trend (France, Japan) or are declining (Italy) according to annual market conditions.

In recent years the international market in ferrous metals has been in a state of severe crisis. Supply is outstripping demand. This is the basic reason for the unfavorable development of the markets for producers and exporters.

A characteristic feature of the current situation of ferrous metallurgy in the capitalist world is the underutilization of production capacities. In some cases metallurgical plants are operating at 20-25 percent capacity. At the same time, the competitive struggle in the international market is aggravating. In order to strengthen their positions, the producers are forced to make new capital investments mainly in order to modernize and reconstruct existing capacities in accordance with the considerable achievements of scientific and technical progress and to create new capacities. The governments of the developed capitalist countries are doing everything possible to assist metallurgical companies by granting subsidies, loans, and so on, or else by taking measures and actions aimed at blocking foreign competition on national or regional markets. A vivid example in this

respect is the systematically pursued protectionist policy of the EEC in terms of ferrous metal imports from third countries. Over the past two years this has been expressed in the formulation of specific measures for sharply reducing such imports and, at the same time, controlling prices through the introduction of quantity ceilings and a system of minimum import prices. This is accompanied by other concealed or open restrictive measures.

A similar situation prevails in the domestic market of the United States. The system of minimum ("trigger") import prices and compensatory customs fees was introduced in the country even before the EEC.

Within the overall circumstances of increased chronic inflation, on the one hand, and the higher cost of fuels and raw materials, on the other, production costs in metallurgical output are rising. A contributing factor in this case is the stricter requirements concerning environmental protection regulations. This has raised international prices, even though the ratio between supply and demand on a global scale is not a contributing factor in such dynamics. Such conflicting trends are hindering the normal development of the cyclical development processes typical in capitalist reproduction, and create difficulties in the international trade in ferrous metals.

In such complex circumstances prevailing on the international market, our foreign trade is implementing its export assignments serving the interests of the national economy. With a view to the further effective development of imports and exports, considering the complex circumstances prevailing on the international market, it would be expedient to investigate and find new possibilities and methods of foreign economic relations within the framework of the international capitalist market. This would include, for example, linking, on a compensatory basis, our exports from nonsocialist countries with counter exports of metals and other products by Bulgaria. This is of particular importance to our trade relations with the developed capitalist countries within the EEC who are our traditional suppliers of some metallurgical products but who erect increasing market protection barriers to our exports.

We must also direct our efforts to increase exports to countries outside the Common Market: Austria, Spain, and Switzerland. Also promising are the markets of developing countries such as Turkey, India, Algeria, Syria, and others. Our exports to these countries must continue to grow and expand in terms of variety.

FOOTNOTES

1. "Osnovni Nasoki na XI Kongress na BKP za Obshtoikonomicheskoto Razvitie na NRB" [Basic Directions of the 11th BCP Congress on the General Economic Development of the Bulgarian People's Republic], Partizdat, 1976, p 34.

2. "Vneshna Turgoviya na NRB. Statisticheski Danní, 1960-1978g."
[Foreign Trade of the Bulgarian People's Republic. Statistical
Data, 1960-1978].
3. RABOTNICHESKO DELO, 4 July 1979.
4. Data for 1975.
5. "Vneshna Turgoviya na NRB. Statisticheski Danní, 1960-1978g,"
p 35.

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DEVELOPMENT OF ECONOMIC RELATIONS WITH CUBA EXAMINED

Sofia VUNSHNA TURGOVIYA in Bulgarian No 11, 1979, pp 14-18

[Article by Georgi Marinov: "Development and Prospects of Bulgarian-Cuban Economic Relations"]

[Text] Economic relations were established between the Bulgarian People's Republic and the Republic of Cuba immediately following the victory of the Cuban revolution. With every passing year they became ever more dynamic and broad. "The all-round cooperation between the Bulgarian and Cuban peoples," noted Comrade T. Zhivkov in his greetings to the First Congress of the Cuban Communist Party, "assumed specific dimensions in all fields of socioeconomic life. It is manifested in the broad exchange of experience in the building of socialism."¹ The steady upsurge of their economies, constant aspiration toward improvements in their national economic structures, and active participation in the process of socialist economic integration are the material foundations for the ever deeper economic and scientific and technical cooperation and integration between the two fraternal countries.

As we know, the Cuban economy is distinguished by some development characteristics. They are the direct result of the difficult legacy (one-crop agriculture, one-sided industrial development, and exceptionally great dependence on U.S. monopoly capital), of the country from its colonial and capitalist development periods. The task of surmounting within a short time the structural deformations of the national economy while, at the same time, making the most efficient use of available natural, material, financial, and manpower resources, and taking maximally into consideration the advantages and the benefits of the international socialist division of labor predetermined the somewhat specific nature of Cuba's economic development in the initial stage of the building of socialism. It consisted of giving priority to the development of export sectors. The process of socialist industrialization was initiated and covered most fully agriculture, sugar cane growing, sugar refining, and other extracting and processing industries, above all. The purpose was to insure on a growing scale the necessary accumulations for a subsequent acceleration of the country's industrialization, a task which the First Congress of the CCP set for implementation in the First (1976-1980) and subsequent five-year plans.

In the past 20 years the economic and scientific and technical relations between Bulgaria and Cuba have gone through two development stages: the first covered the 1961-1970 period; the second began in 1971 and is continuing. This demarcation is based on the study of the condition and tasks of the Cuban economy in the individual stages and the major objectives and forms of economic cooperation.

In the first stage Cuba was resolving social and economic problems, whether inherited or additionally complicated as the result of the economic and political blockade imposed by the United States. Under those circumstances, the task of the economic relations between the two countries was to give as much help as possible for the elimination of these problems. Economic relations developed mainly through trade. Bulgaria supplied Cuba, above all, with machines and equipment, some raw materials, and food. Cuba was given loans and hundreds of Bulgarian specialists helped in various areas of the national economy. The mechanism of economic cooperation gradually improved. In 1964 the first long-term agreement was signed for economic and scientific and technical cooperation and a trade agreement through 1970. Slightly afterwards, an intergovernmental commission for economic and scientific and technical cooperation was set up. In the second half of the stage some new forms of cooperation were introduced such as the designing, delivery, and construction of complete projects in Cuba. In 1968 a joint Bulgarian-Cuban experimental-design bureau for agricultural machinery was set up, and so on. Most generally, during this stage the necessary economic and organization prerequisites were being set up for the conversion to a higher cooperation stage.

The second stage is different from the first, above all, qualitatively. To begin with, the problems which the Cuban national economy began to resolve after 1970 have been characterized by a number of new aspects. The emphasis fell on problems of social production intensification and maximum utilization of the intensive factors of economic growth. The acceleration of the process of socialist industrialization assumed the focal position in the country's economic development plans. The gradual introduction of the new economic planning and management system was undertaken.

Bulgarian-Cuban economic relations entered a qualitatively new stage. The basic prerequisites to this effect were the stabilization of Cuba's economic development,² the rich experience which was acquired, and the successes achieved in reciprocal cooperation, and the particularly greatly increased opportunities of our country, its industry in particular, to operate as an active leading partner in the establishment of production, trade, and scientific and technical relations with countries with a lower economic development level. Gradually, the central point of economic cooperation began to shift from foreign trade to material production.

This trend is entirely consistent with the assessment given in the joint Cuban-Bulgarian communique issued on the occasion of Comrade F. Castro's visit to Bulgaria in 1972. The communique noted that "possibilities and

prospects exist for even greater intensification and further development of economic and scientific and technical cooperation between the two countries, and that conditions have already been created for the conversion to a new qualitatively higher stage--specialization and cooperation in all fields of joint interest to the two countries."³ Today we could say that a number of possibilities were practically implemented or are under way.

The gradual expansion and intensification of economic relations in the material sphere is the main feature characterizing Bulgarian-Cuban economic relations at the present stage. At the same time, currently the foundations are being laid for the general directions of future economic cooperation and integration.

The conversion to a higher stage of economic relations between Bulgaria and Cuba is objectively based on a number of prerequisites and factors.

First of all, a certain adaptation of our industrial output to the requirements of Cuba's market and national economic requirements was achieved as a result of the stable and growing development of mutual trade. It is a question, above all, of goods produced by the machine building, chemical, and food industries. The nomenclature of Bulgarian goods exported to the Cuban market is expanding steadily.

Bulgarian-Cuban trade reached 254.1 million foreign exchange leva in 1978, compared with 600,000 foreign exchange leva in 1960 (see table). The average annual growth rate of reciprocal deliveries was stable and showed a rising trend. Between 1971 and 1975 it totaled 25.5 percent, including 31.5 percent exports and 20.2 percent imports.⁴ In terms of Bulgaria's trade with CEMA-member countries, this is considerably above average.

(В млн. лв.)			
1) Година	2) Стокообмен	3) Износ	4) Внос
1960	0.6	0.6	0.6
1965	45.5	19.2	26.3
1970	64.2	27.7	36.5
1975	200.8	109.1	91.7
1977	194.2	99.4	94.8
1978	254.1	142.8	111.3

Development of Bulgarian-Cuban Trade Between 1960 and 1978 (in million leva)

KEY:

- | | |
|----------|------------|
| 1. Year | 3. Exports |
| 2. Trade | 4. Imports |

Source: "Vunshna Turgoviya na NRB. Statisticheski Danni" [Foreign Trade of the Bulgarian People's Republic. Statistical data.] Sofia, 1976, 1978, 1979, pp 16 and 27.

The structure of reciprocal trade has been relatively stable. About one-third of exports to Cuba consists of machines and equipment (some years their share has reached 40-50 percent). Characteristic of this group are some positive and lasting trends. Above all, in recent years the share of complete projects has increased both within the group and within overall exports. Their designing, delivery, and building on Cuban territory is taking place entirely with our assistance. Thus Bulgaria is making its most effective contribution to increasing the industrial potential of Freedom Island. A number of projects which our country is building in Cuba, such as "The 26 July Heroes" machine building complex (for the production of agricultural equipment), and the V. Levski Irrigation Equipment Plant, are of national importance to the Cuban economy and constitute the foundations of new sectors in the field of agricultural machine building.

The prospects for expanding the scale of construction of complete projects in Cuba are based on the steadily expanding needs of the country related to the accelerated industrialization process. The construction industry, food industry, a number of machine building, transport, chemical, and other industries are developing as the most important directions. The extensive possibilities for the designing, delivery, and construction of complete industrial projects to become the base for the further expansion of scientific and technical production and trade cooperation are a major element of cooperation in this area.

Individual items of machine building output may be singled out in the machine and equipment group, confirming the good adaptation to Cuban requirements and conditions. This affects metal cutting and timber processing machinery, hoisting equipment, electrical equipment, refrigeration equipment, and others.

Food and raw materials for its production became the second basic commodity group of our exports. The group of fuels, mineral raw materials, metals, chemicals, pharmaceuticals, and industrial consumer goods is increasing its share.

The rising development of foreign trade relations is a manifestation of the growing importance of reciprocal economic cooperation for the development of the Cuban economy and for expanding Cuba's position within the system of Bulgarian foreign economic relations. Thus, for example, Bulgaria's share of the overall Cuban foreign trade has been growing steadily. Starting with 1975 Bulgaria assumed the second position among CEMA-member countries. Our country is satisfying on a lasting basis a number of Cuban import requirements. Between 1967 and 1974 Bulgaria was first and second in Cuba's imports of metal processing and timber processing machines, second and third in appliances and spare parts for tractors, second and third in steel pipes, third and fourth in agricultural machinery and tools, third in rolled steel, first and second in cheese, second and third in canned meat, second in animal fats, first and second in medicinal drugs, and so on.⁵ Within the same period Bulgaria held leading positions in Cuban exports of most important goods: third and fourth in overall sugar exports, and first and second

in the export of molasses.⁶ We know that it is precisely sugar and molasses that are the basic sources of Cuba's foreign exchange income. In turn, Cuba is meeting most of Bulgaria's import requirements for sugar and molasses. This is very important for a number of Bulgarian economic activities.

The further development of reciprocal trade will depend exclusively on the possibilities for expanded production cooperation and, particularly, of production specialization and cooperation. It is precisely they that will become the basic dynamising factor governing the development of trade between the two countries.

Another major prerequisite determining the conversion to the new stage is the scale of scientific and technical cooperation. The steady intensification of cooperation in this area objectively called for a gradual conversion from scientific and technical relations to the establishment of production contacts. This aspect is quite typical of the development of economic relations between the two countries.

Scientific and technical cooperation has acquired a long history and traditions. It became so important that at the 11th session of the inter-governmental commission the decision was made for the permanent work group for scientific and technical cooperation to be given a subcommission status.

All basic methods used among CEMA-member countries, together with methods typical of the two countries alone, have been applied in the cooperation in science and technology.

Along with traditional methods such as trade and exchange of information data, finished results of scientific research and experimental design projects, technology, and practical experience described in documents, the training and exchange of national cadres, technical assistance, and technical aid, establishment of direct cooperation between similar departments, and so on, are assuming ever greater importance.

Let us emphasize that, taking into consideration the characteristics in the development of the Cuban national economy, and the great need for scientific and technical aid, the efforts of both countries are focused exclusively on providing help in the solution of scientific and technical and experimental-design problems of strategic importance to the country's economy.

The instruction, training, and retraining of Cuban cadres is a very important trend in the field of scientific and technical cooperation. It is directly related to the socioeconomic development of the country. Industrialization and the increased complexity of national economic tasks raise new requirements in this respect. Bulgaria is helping to upgrade the skills of hundreds of Cuban citizens in agriculture, mining, geology, machine building, automation of production processes, hydraulic construction, and others. Other promising areas include nuclear power industry, electronics, electrical engineering, and chemistry, areas in which Cuba still lacks an

adequate industrial and training-experimental base. Particularly good opportunities are found in areas involved in cooperation and integration and, more specifically, those related to the building of complete projects and the development of production specialization and cooperation.

Technical assistance and technical aid are the broadest possible form of scientific and technical cooperation. From 11 in 1961 the number of Bulgarian specialists working in Cuba reached about 750 between 1976 and 1980.⁷ The group of Bulgarian specialists is second largest, that of the USSR being the first. Comrade F. Castro highly rated their activities in his report to the First Congress of the CCP.⁸

Providing technical aid and assistance in tens of sectors, subsectors, and national economic activities remains a major line. This includes hydraulic power construction, reclamation, road construction, operation of irrigation systems, training of mechanizer cadres, repairs and operation of agricultural machinery, urban and regional planning, and others. Granting technical aid in the construction of projects based on Bulgarian designs and using Bulgarian equipment is assuming greater importance. Thus, by the end of this year the share of Bulgarian specialists involved in the building of the "26 July Heroes" and the V. Levski Plant will total approximately 17 to 18 percent⁹ of the overall number of Bulgarian specialists in Cuba. Excellent possibilities are appearing for granting technical aid and cooperation in connection with the initiated extensive production cooperation between the two countries in a number of machine building areas. Since in most cases it is a question of new production facilities which Cuba will develop on the basis of specialization and cooperation with Bulgaria, unquestionably, the reconstruction, expansion, and construction of new capacities will take place with our country's help. Extensive opportunities appear also along the line of multilateral cooperation within CEMA. One of the biggest Cuban industrial projects will be built on a multilateral basis. The commitments of the individual CEMA-member countries will be concretized on a bilateral basis. This would include the required technical aid and assistance.

In recent years a relatively new form of scientific and technical cooperation was developed: direct cooperation between ministries, departments, and organizations of the two countries. Over 30 contracts for direct cooperation were signed, making it possible to resolve on a comprehensive and operative basis corresponding scientific and technical problems as well as problems related to the long-term development of production cooperation.

Unquestionably, joint research is one of the most progressive and promising forms of scientific and technical cooperation. They cover joint scientific research and development, coordinated and jointly agreed upon scientific and technical studies, the creation of joint collectives (temporary and permanent), joint laboratories, scientific research institutes, planning and design bureaus, and so on. At the present stage this form is still underdeveloped. We must undertake the implementation of a coordinated scientific and technical policy between the two countries. This will

enable us to achieve an effective division of labor in science and technology and, on this basis, to engage in joint studies in areas of reciprocal interest.

At an earlier stage, some joint agencies engaged in scientific research and experimental design activities were set up between the two countries. In addition to the joint bureau we mentioned, starting with 1974 a joint bureau for refrigeration and air conditioning equipment began operations. Such scientific research is being carried out also by the L. Dimitrova Experimental Vegetable Production Center. All of them are located in Havana. The reasons for their earlier appearance may be found in the urgent need, as of then, for the most effective methods for providing Cuba prompt and effective assistance in resolving important national economic problems. Two centers were organized in connection with production cooperation programs: for technological designing for machine building enterprises, and for the study and designing of new goods. They too are engaged in similar joint activities. Other joint forms of scientific and technical cooperation will arise, above all in areas which determine the main directions of economic cooperation and integration between Bulgaria and Cuba. In the future joint scientific research based on common scientific programs will find an ever greater application. The attention will be focused, first of all, on areas in which close production relations have been established.

The trend toward ever closer interaction between production and scientific and technical integration will become the basic characteristic of bilateral economic relations. The uniform comprehensive approach to resolving problems of scientific and technical, production, and trade relations, will become an objective requirement.

Cuba's involvement in CEMA activities and in the process of socialist economic integration, in 1972, has been an important factor which has also influenced the development of bilateral economic relations. The tendency has been established for Cuba's most important national economic problems to be resolved on a multilateral basis. The individual organs of CEMA and the DTSPS stipulate a number of special measures aimed at the acceleration of Cuba's economic and scientific and technical development, the conversion of its economy into a specialized national economic complex within the system of the international socialist division of labor, and optimum functioning from the viewpoint of domestic and foreign conditions. This offers new possibilities for the expansion of bilateral economic relations between Cuba and the remaining CEMA-member countries. In accordance with multilateral agreements already signed, and those to be concluded, our country will become most actively involved in the solution of important long-term problems of the Cuban economy: the development of the nickel industry, sugar industry, citrus fruit growing, construction materials industry, science and technology, and others. This means a further expansion of bilateral economic relations as a result of the active participation of both countries in socialist integration.

The trend toward intensification of production cooperation between Bulgaria and Cuba is also based on some objective current features and on a number of similar directions in the development of the two economies.

Differences in the levels of economic development and national economic structures between the two countries still exist. However, this is no obstacle to the establishment of production relations in different ways. The experience gained by Bulgaria in a number of economic sectors is a good prerequisite for initiating production cooperation. It is reinforced by the fact that the Cuban economy still lacks important structural units which must be established and developed. On the other hand, both countries have similar trends of economic development. Thus, for example, with a view to the most efficient utilization of its natural and manpower resources, Cuba is also turning to the development of electronics and electrical engineering. Furthermore, providing services to basic economic sectors (agriculture, sugar industry, food industry, etc.) requires the development of sectors and production facilities such as hoisting-transportation machine building, bus manufacturing, agricultural machine building, ship building, equipment for the food industry, and so on. Thirdly, either economy plans the development of production facilities, on the optimum scale for the country, which would insure a material and technical base for the qualitative reorganization of basic sectors such as machine building, power industry, and metallurgy. This means the production of metal cutting, hammer-pressing and casting equipment, tools operating through hydraulic power, and so on. We know that our country has rich traditions in a number of such production facilities. Naturally, Cuba and Bulgaria lack the possibility to produce the entire range of necessary machines and equipment, which requires a rational division of labor both between the two countries and within CEMA.

Cuba's natural-weather conditions and existence of some specific resources (sugar cane, byproducts of the sugar refining industry, tropical fruits and vegetation, and so on) also presume production cooperation with a view to meeting specific Cuban and Bulgarian requirements.

At this very initial stage, some characteristic aspects are becoming apparent in the production cooperation between Bulgaria and Cuba. First of all, Bulgaria is the leading country in the organization of production relations. This is objectively based on its rich experience in the production of a number of mostly machine building items on the basis of specialization within CEMA. That is why production cooperation in machine building between the two countries is concentrated on lifting-transport machine building, lifting cranes, metal processing machinery, hydraulic elements, refrigeration equipment, forgings and technological equipment, water pumps, and others. In the field of electronics the efforts are focused on computer equipment, minicomputers, control systems, and electronic elements. In the other sectors as well there are areas in which Cuba has the necessary conditions for development while Bulgaria has achieved substantial results and successes. Secondly, let us emphasize as

a durable characteristic of production cooperation its comprehensive nature. It is noteworthy that all programs in the individual fields show a desire for production cooperation to be comprehensive, insuring the existence of the uninterrupted cycle of science-production-marketing. The principle of beginning with traditional forms of scientific and technical cooperation (exchange of information, documentation, and specialists), followed by the creation of development bureaus and centers, the establishment of production relations (specialization and cooperation), joint development of capacities, and the search for optimum solutions in the marketing of produced goods must be followed in its general lines. Thirdly, at this stage and in the next decade, industrial cooperation must be the basic form of production cooperation. This is required by the circumstance that Cuba has not as yet sufficiently developed internal specialization and cooperation, and has limited production possibilities. That is why, initially, the purpose is to create the necessary internal prerequisites for the country to produce a specific variety of assemblies and parts and, subsequently, to specialize in the production of finished goods, assemblies, and parts, and specific types of products of its machine building industry. Considering the characteristics of the Cuban economy, at this time, the classical system for production cooperation (reciprocal procurements, unilateral deliveries paid for in finished goods, and so on) cannot be applied for the time being. The main task of production cooperation between Bulgaria and Cuba is the organization of the production of machine building goods in optimum series, to become the nucleus of important Cuban machine building sub-sectors, contribute to the fuller satisfaction of national economic requirements, and increase the country's export opportunities. This way, production cooperation must contribute to the solution of important problems related to the industrialization of the Cuban economy. This means that it must be developed exclusively on a long-term basis with specific objectives set for each stage. Unquestionably, under such circumstances new efficient solutions may be sought, related to the entire set of problems (scientific and technical, trade, marketing) for the organization of production cooperation between Bulgaria and Cuba.

Cooperation and integration between our two countries in the material area also cover the chemical and light industries, the power industry, the food industry, and agriculture. In the course of the visit which the Bulgarian party and government delegation paid to Cuba, in April 1979, Comrades T. Zhikov and F. Castro signed a program for the further development of economic and scientific and technical cooperation and socialist integration between Bulgaria and Cuba for the period after 1980. It reflects the strategic directions and long-term prospects for economic cooperation and integration between our fraternal countries.

The program calls for the further expansion and intensification of bilateral economic relations under conditions governed by the energizing of integration processes within CEMA. For this reason, the program includes areas of cooperation and integration based not only on the development of bilateral economic relations but on a multilateral basis and, particularly, through

the DTsPS. Thus, for example, together with the other CEMA-member countries, Bulgaria will actively help Cuba to develop its nickel industry, raise sugar cane and produce sugar, grow and process citrus fruits, expand Cuba's scientific and technical potential, and others. The program assigns an important role to areas of production cooperation based on specialization and cooperation. It is no accident that the joint Bulgarian-Cuban communique on the occasion of Comrade T. Zhivkov's friendly visit to Cuba noted that "conditions have been created as a result of Bulgaria's and Cuba's increased economic potential, for a conversion to a qualitatively new and higher stage in specialization and cooperation based on reciprocal interests."¹⁰ This applies mostly to traditional cooperation areas between the two countries such as lifting-transport machine building, hydraulic equipment, production of metal cutting machines, refrigeration and air conditioning equipment, water pumps, and equipment for the food industry. New directions were established as well: ship building, sugar industry equipment, and agricultural machine building.

Cooperation in the electronic and electrical engineering industries will be intensified on a multilateral and bilateral basis. Economic relations in agriculture will acquire new dimensions. This is an area in which Bulgaria and Cuba have acquired rich experience and traditions. An energizing of mutual cooperation is contemplated also in the chemical industry, science and technology, transportation, local industry, and tourism.

The program particularly emphasizes the intensification of joint activities in third countries, using suitable engineering, commercial, and other methods.

In order to insure an even more stable and durable base for reciprocal cooperation and integration, the program calls for upgrading the role of the coordination of national plans and reciprocal consultations on basic problems of economic policy.

On the basis of the program the corresponding Bulgarian and Cuban organs will look for mutually profitable and effective solutions to assist in reaching new peaks in Bulgarian-Cuban economic relations. Cooperation and integration along these directions will be a reciprocal contribution to upgrading the industrial and scientific and technical potential of both countries.

FOOTNOTES

1. "Purvi Kongress na Kubinskata Komunisticheska Partiya. Dokladi i Resheniya" [First Congress of the Cuban Communist Party. Reports and Decisions]. Partizdat, Sofia 1976, p 240.
2. In the 1971-1975 period Cuba's gross national product and industrial production showed an average annual growth rate of about 10 percent, compared with 1.9 percent between 1961 and 1965, and 3.9 percent between 1966 and 1970.

3. F. Castro. "The Future Belongs to Internationalism," Politizdat, Moscow, 1973, p 433.
4. Computed on the basis of "Vunshna Turgoviya na NRB. Statisticheski Danni" [Foreign Trade of the Bulgarian People's Republic. Statistical data], 1978, pp 26-28.
5. Based on "Boletín Estadístico 1971" [Statistical Bulletin for 1971], pp 246-263; "Anuario Estadístico de Cuba 1974" [Cuban Statistical Yearbook, 1974], pp 212-227.
6. Ibid, 1971, pp 241-242; 1974, pp 206-207.
7. RABOTNICHESKO DELO, 7 and 10 April 1979.
8. See "Purvi Kongress.....," p 225.
9. Computed from RABOTNICHESKO DELO, 9 and 10 April 1979.
10. RABOTNICHESKO DELO, 13 April 1979.

5003

CSO: 2200

FIRST QUARTER 1980 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 4 May 80 p 2

[Summary by the Federal Statistical Office: "First Quarter of 1980"]

[Text] Most of the basic economic indicators showed greater dynamics in the first quarter of 1980 than the state plan for the entire year had anticipated. This fact was affected in some instances by the low initial basis of the first quarter of last year. The enterprise plans were overfulfilled in regard to almost all production volume indicators in the first 3 months of the year.

In the area of industrial production, the volume of shipments was higher than planned in all directions of sales. The export shipments to both nonsocialist and socialist countries at f.o.b. prices were greatly surpassed.

In agriculture, the progress in spring work was delayed because of bad weather in March. In the purchase of animal products, the schedule was not met for slaughter animals, but the targets were surpassed for poultry for slaughter, milk and eggs.

In foreign trade, the total volume of exports exceeded the total volume of imports, while a higher growth rate was registered in trade with the nonsocialist countries.

In domestic trade, the enterprise plans at the retail level were surpassed in all trade organization with the exception of Klenoty [Gems].

In the centrally planned industry, planned shipments were surpassed in all main directions of sales during the first quarter of 1980. The enterprise plans were exceedingly surpassed by industrial enterprises in export shipments to the nonsocialist countries at f.o.b. prices (by 12.2 percent), while the export shipments to the socialist countries were fulfilled 111.9 percent at f.o.b. prices. Industrial enterprises met the targets set for sales to domestic trade 103.3 percent at retail prices, and sales of industrial materials to the production sector 101.5 percent. In comparison with the same period of last year, the volume of shipments to domestic

trade at retail prices increased by 6.2 percent, while the export shipments to the socialist countries increased by 12.4 percent at f.o.b. prices and shipments to the nonsocialist countries by 32.8 percent at f.o.b. prices. The sales to the industrial sector increased by 5.7 percent.

All indicators specified for the continuous control of the plan fulfillment by the enterprises were complied with by 41.3 percent of all enterprises in the first 2 months of this year. Among the seven indicators surveyed, the total of enterprise plans was not met in regard to three indicators, namely in deliveries to selected construction projects supervised by FMHTS [Federal Ministry of Metallurgy and Heavy Engineering] and FMVS [Federal Ministry of General Engineering] (fulfillment amounted to 88.9 percent), shipments for other sales (98.9 percent) and total production costs per Kcs of adjusted output.

In agriculture, spring grains were sown on 364,000 hectares, that is on approximately 37 percent of planned areas during the first week of April, while sugar beet was planted on 25,500 hectares (that is on almost 12 percent of the planned area). Early potatoes were planted on 27 percent of planned areas. The progress in spring work lagged approximately 10 days behind the several years' average which was about the same as last year. The condition of winter crops is better than last year.

In animal production, the number of animals was about the same as last year in the first quarter.

As to the intensity of animal production, good results were achieved in increasing the average milk production per cow and in the average egg production per hen. In comparison with the same period of last year, the purchase of slaughter animals including poultry declined by 16,000 tons, while the purchase of milk increased by 91.1 million liters and the purchase of eggs by 35.5 million during the January-March period.

In the building industry, the volume of construction work increased by 10.9 percent during the January-February period: by 12.8 percent in capital investment and by 5.0 percent in repairs and other construction work. The indicators specified for continuous checks on the plan fulfillment were met to varying degrees by individual enterprises. A relatively large number of construction enterprises did not meet the indicators in the volume of construction work on the projects specified as mandatory tasks and on the centrally supervised projects planned to be completed this year.

The volume of construction work carried out by the construction enterprises' own labor force was by 2.6 percent smaller in March 1980 than in March 1979, while the average daily production increased by 1.9 percent. The volume of construction work carried out by the construction enterprises' own labor force reached the value of Kcs 17.4 billion during the first quarter. The detailing of enterprise plans of building production was met 100 percent during the first 3 months. However, the enterprise

plans of ZSV (basic building production) were not fulfilled by almost 35 percent of construction enterprises.

Capital investment and deliveries (excluding the "Z" beautification campaign and private construction) reached the value of Kcs 24.8 billion (estimate) that is approximately 17.7 percent of the annual state plan.

In all forms of housing construction, 11,954 apartments were completed during the January-March period. The annual plan of national committees was fulfilled 8.7 percent.

In public freight transportation, the freight transportation plan was surpassed by 871,000 tons of commodities in March (the plan fulfillment amounted to 101.7 percent), and in comparison with March 1979 the freight transportation volume was surpassed by 0.9 percent.

The overall transportation targets were fulfilled 101.4 percent during the January-March period which means that the plan was surpassed by 2,080,000 tons of commodities transported. This excess in the planned volume of freight transportation was achieved primarily by CSAD (Czechoslovak State Automobile Transportation) (the plan was surpassed by 2,243,000 tons), while the volume of railroad transportation remained slightly below the plan.

The plan of railroad loading was fulfilled 97.7 percent during the first 3 months of this year. Among the key commodities, the smallest loading volume was attained in metallurgical and engineering products, and building materials.

The average daily loading volume per railroad car unit increased by 1.1 percent and the average railroad car circulation was 4.29 days which was by 0.3 percent longer than in the first quarter of 1979.

In foreign trade at current prices, the annual target set for export to the socialist countries was met 22.2 percent and to the nonsocialist countries 22.8 percent, while the annual target set for import from the socialist countries was met 19.6 percent and from the nonsocialist countries 25.4 percent. In comparison with the corresponding period of last year, total exports increased by 12.4 percent and total imports by 10.3 percent in the first quarter of this year.

In domestic trade at current prices, the retail turnover in the main trade systems reached the value of Kcs 48.2 billion and increased by 6.4 percent in comparison with the same period of last year. The enterprise plans of the retail turnover increase were fulfilled 103.2 percent during the January-March period.

Personal savings accounts grew from 15 February to 15 March 1980 by Kcs 704 million. As of 15 March 1980, the savings reached Kcs 150.4 billion.

Money supply was Kcs 40.5 billion as of 31 March 1980.

FEDERAL STATISTICAL OFFICE
Basic Indicators of Development of National Economy in March 1980
Increment Over Comparable 1979 Period (in percent)

<u>Industry</u>	<u>Mar</u>	<u>Jan- Mar</u>	<u>Federal Plan¹</u>
Average number of workers	0.7	0.8	0.8
Labor productivity	-3.0	5.1	3.2
Construction:			
Construction work completed with internal resources	-2.6	6.8	3.8
Average number of workers	0.2	0.4	0.2
Labor productivity	-2.8	6.4	3.6
Housing units delivered by contracting enterprises	2.0	10.0	11.0
Procurement:			
Slaughter animals (including poultry)	-5.2	-3.6	0.4 ⁴
Milk	6.8	8.5	1.8 ⁴
Eggs	0.8	5.8	3.2 ⁴
Retail Trade:			
Of the main trade systems	-0.3	6.4	2.2 ^{4 2}
Foreign Trade: ³			
Exports to socialist countries	-5.7	6.3	6.0
Exports to nonsocialist countries	-3.5	23.3	8.5
Imports from socialist countries	-10.6	-0.6	6.6
Imports from nonsocialist countries	29.4	28.6	4.2
Deliveries of centrally planned industries for			
Investments at wholesale prices	-	-6.7	-1.9
Domestic trade at retail prices	-	6.2	4.7
Export to socialist countries at FOC (free of charge) prices	-	12.4	7.8
Export to nonsocialist countries at FOC (free of charge) prices	-	32.8	9.5
Other sales for production needs and operations at wholesale prices	-	5.7	-
National income ⁶	4.5	5.8	5.4 ^{5 4}
Of which: Wages	4.0	4.9	4.0 ^{4 5 4}
Actual monetary expenditures	1.5	7.3	3.7 ^{5 4}

1. Increments compared to actual 1979 results.

2. All trade systems.

3. Data on actual results refer to actual overall transactions, does not include federal plan (in contrast to overall transactions) actions not planned within the framework of cooperation, unplanned reexport trade operations, barter, joint production trade, etc.

4. Increments compared to achieved 1979 results.

5. Including estimated interest added to loans.

6. Data calculated according to the treasury plan of the Czechoslovak State Bank.

10501

CSO: 2400

MORE COST EFFICIENT CAPITAL REPLACEMENT SYSTEM URGED

Bratislava PRAVDA in Slovak 21 Apr 80 p 2

[Article by Vlastimil Boura, First Deputy Minister, Federal Price Bureau: "On the Intensification of the Process of Capital Replacement--Concerning the System of Measures for Better Economic Control"]

[Text] The need to give a more vigorous boost to the system of management and make it more efficient--in order to increase our economic productivity--appeared on the agenda toward the end of 1973, when in world markets the prices of crude oil and other raw materials skyrocketed. Only more thorough appraisals of products with highly useful qualities may counteract the impact of such prices on our domestic economy. For that reason, the demands coming to the foreground called for intensive factors to be consolidated in the development of national economy and for an efficient development that will be reflected in increased creation of national revenue, which represents the actual source of the material factor in our people's living standard.

In June 1974 Leonid I. Brezhnev declared about these problems: "Highly productive labor and economic efficiency are the factors directly determining how large will be the share of that part of our national wealth which our society earmarks for the improvement of our people's living conditions. For that very reason our party arrived at the conclusion that a transition to intensive methods of management, and an emphasis on the qualitative factors of growth are of enormous importance." Comrade Brezhnev further outlined the main directions: "The switch to intensive methods in economic development involves quite a few important, complex tasks in the economic management, and requires better planning, skillful application of economic tools, and more rigorous management and control."

I repeat his words as proof that the measures which we are now introducing do not involve some isolated Czechoslovak problem, but that they involve joint tasks with which now also other socialist countries are coping, and for which they have been preparing themselves for several years.

The Result of Several Years' Work

The system of measures aiming at improving the system of planned national economic management after 1980 represents a result of several years' work; its basic factors have been tested in selected organizations and enterprises since 1978. Experiments and analyses helped gain objective knowledge of those factors which, in agreement with society-wide interests, correctly motivate our workers toward higher efficiency and quality, and conversely, of those factors which, against the needs of our society, lead to excessively bulky products, to inadequate utilization of raw materials and materials in the production of goods, and to wastefulness in the consumption of fuels and power.

The whole mechanism in the system of management, the interpretation of the plan, and the economic tools are focused on markedly improved efficiency of the management involving raw materials, materials, fuels and power, capital funds, and manual labor.

The purpose of the changes adopted in planning and management, however, does not signal a search for new indicators--although their correct selection exerts very important influence on the conduct of the people, particularly of our leading workers--the purpose of the changes is to apply more thoroughly intensive methods in the process of capital replacement by means of a plan, by direct organizational and managing work, and by personal and enterprise-wide incentives with the application of such tools as incentive funds, wages, prices, interests, returns, etc.

The system of measures proceeds from the premise that only ingenious utilization of all tools of direct and indirect control--in which the five-year national economic plan assumes the central function--may further boost the effectiveness of the planned management system which is in the hands of the people and serves the people.

Although the application of the system of measures in our economic life involves a long-range process, we must rapidly achieve a substantial turn in one area, namely, in the focus on the material sector, i.e., on materials, raw materials, fuels and power.

These days we are paying 50 percent more for their import than in the early 1970's, which means that we must earn 50 percent more from our exports. Since we were no longer able to cover that growth with our machine-engineering exports, consumer goods had to come to the rescue; those must be products of superior quality, which we find in short supply in our domestic market at present. We must therefore proceed from the fact that each kilogram of the material we save in fact indirectly helps improve our domestic market.

An urgent appeal for better management precisely in the area was expressed especially vehemently in the report of the 15th CPCZ Central Committee meeting: "We cannot say that our party has been paying adequate attention

to problems of efficiency in social production in the past. However, never before have we faced such problems with similar urgency as in the current situation, when we must scrupulously utilize each litre of crude oil, each kilogram of metal, each kilowatt-hour of electric power, and each kilogram of fodder, and use every working hour efficiently."

For that reason, the system of measures intensifies the task of the five-year plan and selects appropriate incentives, thereby focusing most attention on the fullest possible utilization of materials, so that all manufacturers show interest in achieving the highest possible useful values of their products at the lowest possible consumption of materials, raw materials, fuels and power, and so that they simultaneously gain more benefits for their enterprises and workers' collectives.

Thus far the focus on volume indicators (of the gross production type) stimulated workers in enterprises increasingly more in the opposite direction--to keep pace with the plan by means of bulk and excessive consumption of materials.

In construction we witness how oversized steel structures with excessive bulk are being frequently used in low-storied buildings. In bridge construction the enterprise literally prefers "to fill up the valley with concrete" rather than use modern lightweight bridge structures and thus, in fact, also fewer cubic meters of concrete, piling, planking, stripping operations, etc.--which, in terms of construction work, are most demanding. According to analyses, bridges with identical service parameters, identical spans, and identical vista areas of the spanned valleys showed as much as 60 percent difference in the consumption of concrete, flexible and rigid reinforcement, and thus, also in overall costs.

In highway construction enterprises prefer hauling to dumps high-grade stone recovered on the line and making up the bottom of the highway with a bed of stone commercially purchased from regular quarries located even at considerable distances. If the enterprise would use mobile crushers right on the line, crush the stone on the site, and transport it over short distances, it would complicate the fulfillment of its performance plan and thus, render the conditions for payment of wages much more difficult. If it does not, it is fully compensated for the recovery of the rock, its loading and removal to the dump, and reimbursed for the purchase, transport and placement of the stone on the line, which method is preferable for the fulfillment of the plan for gross production.

We encounter similar negative phenomena in the industrial repair system as well as in housing maintenance. In terms of the fulfillment of the plan, it becomes more advantageous for the enterprise to replace even slightly damaged kitchen ranges, gas stoves, built-in furniture (kitchen units) with new ones whose full price is entered in outputs, than to repair them inexpensively and at low material cost, because then only the cost of labor for the completed repair would be entered in the fulfillment of the performance plan.

In the industrial repair system it is more advantageous for an enterprise to scrap, for example, the gears of railroad cars with worn sleeves, where new sleeves would be sufficient. However, each set of gears would mean about Kcs 10,000 less in earnings for the fulfillment of the performance plan and thus, also for payment of wages.

In engineering production we encounter many instances where the designers could cut the bulk of the products by as much as one half, while maintaining all their utility parameters, including service life--yet the enterprise fails to include the innovated product into its program for that reason that lower material consumption would mean a lower price for the product, and with lower prices the enterprise could not fulfill its plan, so long as the consumption of manual labor cannot be cut as much as the price, and the enterprise cannot balance the difference with additional products.

These are specific examples from practical experience. Therefore, in 1978 we set forth the principle that the materials saved must fully benefit the manufacturer, while the price of the product remains unchanged. Although from the viewpoint of economy the consumer also should benefit from the reduced amount of materials, and the price of the product should be reduced to some extent, such partial measures are unable to reverse the approaches on the whole.

Many examples from our experience may be quoted as proof of abuses of cooperation for the purpose of the wasteful drive to reach the volume of production, contrary to society-wide interests, and moreover, abuses of cooperation involving needless physical hauling of goods all over our republic.

It is therefore imperative to proceed from the general premise that people's actions reflect their experience. Those criteria (indicators) that attract most attention and are met even by methods contrary to society-wide interests, so long as the interests of the enterprise are satisfied, determine the development of the funds of wages and rewards, as well as payments from such funds, and the evaluation of the fulfillment of the plan by the leading workers.

In fact, the basic consideration is the target of the incentives. For that reason the system of measures excludes the whole material component from its basic indicator for the development of wage funds--in outputs proper--so that the enterprise may derive no benefits from its intensified participation in the fulfillment of the plan of production, but on the contrary, so that efficient savings of materials, fuels and power may be positively reflected in profits and thus, also in the fulfillment of that indicator.

It is therefore correct to reemphasize that, in order to intensify the process of capital replacement and to achieve marked improvement of its efficiency, it is important to switch to substantially better management of materials and their utilization, to which also economic coercion must contribute with appropriately selected tools of the plan and control.

Value-Added Indicator

Because of its significance in the creation of basic incentives for enterprises the indicator of the net production type, introduced in the form of the value-added indicator, is one of the most essential measures in the system. The value-added indicator is created by deducting the material costs (including cooperation), costs for purchased services (for example, transport charges), fuels, power, and non-production costs (penalties, fines, etc.) from total outputs; thus, it consists essentially of wages, contributions to social security, deductions from basic funds, other costs of the non-material type, and profits. The value-added indicator will be applied to regulate the development of a major part of wage funds, and by the same token, in conversion of efficiency, and to express the qualitative tasks in the plan, particularly productivity of labor. Indicators applied thus far in the regulation of wages, containing also labor converted into products are replaced so as to provide much more emphatic incentives for highly efficient utilization and careful management of the material input, as well as overall suppression of the structure of production and speculative cooperation involving high consumption of materials. That is the main advantage of the new indicator. By the same token, this creates one of the inescapable conditions for the application of the merit principle when evaluating the performance of organizations and when rewarding the workers' collectives.

Savings of material costs--by which the profits are increased--will be reflected more intensively in the fulfillment of the value-added indicator than in indicators applied thus far. For instance, in industry where the material factor represents roughly two thirds of the total output, every time one percent of materials is saved the fulfillment of the value-added indicator is raised by 3 percent, and the situation is the same in price increases for technically advanced products and for products of first quality.

It is true that excessive material consumption and lower prices for inferior products are just as intensively reflected in a lower value-added indicator, with all the consequences stemming from it also for the creation of wage funds and for payments from such funds.

Thus, the value-added indicator will be particularly challenging in the price area. We may expect that enterprises may try to obtain results more easily, for instance, by demanding higher prices, without correspondingly improved quality parameters of their goods. This is unacceptable. Price discipline must be a non-negotiable obligation, and its nonfulfillment must be penalized even more than before.

Profitability of the Production Funds

In addition to the value-added indicator, we encounter another new indicator in the system, namely, profitability of the production funds. The above-mentioned indicator expresses the relation of profits to the value of basic funds and supplies. In reality it represents essentially the period in which investments in machinery, equipment, buildings and supplies are returned.

To be sure, it is no longer enough to do nothing more than to watch the costs of manufacturing the product, in other words, the amount of material, power, wages and other costs in the process of its production; it is just as necessary to realize that sources of production were used, i.e., the amount of the production equipment and supplies involved in the process of production. In practical daily experience, this involves monitoring to determine whether the increase in the productivity of manual work is accompanied by simultaneous reduction in the materials and investments required.

It must be frankly admitted, however, that the fulfillment of the envisaged incentive effect of the wage forms depends largely on preconditions for smooth performance by the workers that may be created directly in the management of production, so that the necessary materials and all that is needed for a smooth production process are promptly made available to the workers. In its overall effect the system of measures should promote this objective.

As Comrade Gustav Husak declared at the conclusion of the 15th meeting of the CPCZ Central Committee: "At this time it is imperative that the adopted system be consistently elaborated, that all organs approach its implementation in unity and with utmost responsibility, and that its gradual introduction be prepared with the greatest care, so that it may become a truly effective tool in the solution of objective tasks of our national economy.

(Subheadings by PRAVDA)

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MINISTER OUTLINES DIRECTION OF CSSR ELECTRONICS INDUSTRY

Prague HOSPODARSKE NOVINY in Czech 23 May 80 pp 1, 5

[Article by Prof Eng Milan Kubat, Dr Sc, CSSR Minister of Electronics Industry:
"The Intentions of the Czechoslovak Electronics Industry"]

[Text] The newly established industrial sector employs about half the labor force of each of the other two engineering sectors but is expected to play an increasingly important role in coming years in all vital areas of the national economy by raising technical and economic indicators of all machines and equipment, conserving fuel, energy and supplies as well as labor and raising overall management efficiency and standard.

The establishment of electronics as an independent industrial branch will render our position, tasks and work more difficult than in the past.

The 14th Plenum of the CPCZ Central Committee has directed that we:

- manage with limited planned fuel, energy and supply resources;
- fulfill the planned export tasks and help reduce import requirements;
- save labor by raising productivity;
- Meet work and delivery deadlines of capital projects especially those designated as priority projects;
- fulfill mandatory market-fund tasks.

These basic directives were specified by the ministry, the VJH's [Economic Production Units] and the enterprises in the form of specific verifiable sets of measures; in addition, measures dealing with local conditions are also being specified.

The Priority of the Spare Parts Base

Spare parts will constitute the sector's basic philosophy because today large integrated microelectronic circuits call for such orientation which is further justified by the active demand for a number of specific parts (diodes,

transistors, luminous diodes and optical electronics elements generally), microwave parts, transmitter tubes and in addition, a large complement of passive parts and electronic kit parts including connectors and kit parts for panels and housings. An indispensable component of modern electronic circuits and installations are single-layer, double-layer multilayer surface connectros. In the electrical equipment area, the production of standardized series of asynchronous motors, power capacitors, fast-power fuses and other parts and assemblies, mesomatics and small and stepping motors will be developed. In the area of automation technology, the focus will be on sensors and scanners, control and measuring parts, servomotors, signaling and other equipment.

The entire parts and assembly base will be the object of our concern as will international division of labor including licensing agreements and cooperation with the objective of raising it thereby to a comparable international standard.

The specific requirements of the electronics and electrical industry further focus special attention on the specialized equipment needed for electronic and especially microelectronic production. It is an area where we are especially vulnerable, where we have not yet developed adequately; it involves equipment which is most difficult to acquire on the international nonsocialist market because it is unique, vital for production and has, therefore, become an object of extortion and international black market so that we are forced to pay exorbitant prices and meet strigent conditions.

The 1980 Plan Tasks

Specification is based on the objectives of the Sixth Five-Year Plan. In some sectors the plan has been adjusted in accord with changes in the original assumptions. Foremost, everywhere and at all levels we must counteract more actively the foreign negative impacts on our economy and cope more effectively than hitherto with our own shortcomings.

SPK [State Planning Commission] negotiations to secure supplies revealed, however, that no weakening of qualitative indicators can be expected. The 1980 volume of tasks is as exacting as last year's but the qualitative indicators are more so.

The production of goods is expected to increase 7 percent or 1.2 points faster than in the engineering industry. In individual VHI's: in VHI ZAVT Praha by 7.5 percent, the TESLA concerns by 7.4 percent, the VHI ZSE Praha by 6.7 percent and Chirana by 5.0 percent.

The supply situation is difficult, therefore, all enterprises must concentrate the more urgently on fulfilling tasks which have to do with assortment and deadlines to prevent production bottlenecks.

Selfish dog-eat-dog relations between enterprises which regard the fulfillment of their own plan as most important regardless of anybody else or even at the cost or to the detriment of other enterprises must stop. Enterprises

producing spare parts are responsible for the fulfillment of the plan by enterprises producing finished products. If problems are encountered, the supplier staffs, planners and technical production-preparation departments will be taken to task. Why were countermeasures not taken in time?

Our ministry shares a great deal of responsibility for deliveries to and assembly of domestic capital projects and the export of entire plants involving an overall volume of deliveries in the amount of Kcs 1.6 billion, representing 5 percent of the ministry's overall production. This includes primarily deliveries for a fuel and energy complex both for strip and deep coal mining, the construction of new powerplant capacities and in agriculture the assembly of silos and deliveries for irrigation systems.

Export deliveries are among the most important tasks of the 1980 plan; deliveries to socialist countries are expected to rise by 7.8 percent in wholesale prices. All VHJ's will also increase greatly their exports to nonsocialist countries with the exception of ZSE which must restrict its export of copper cables.

Of the annual export tasks to nonsocialist countries, 55 percent should be fulfilled within the first 6 months and 80 percent within 9 months in order to improve the import potential from these countries. Of other than capital imports from nonsocialist countries, the import of supplies is the most difficult area because the existing competing claims can hardly be satisfied. Therefore, commissions must be established in all enterprises and VHJ's designed to limit unneeded imports and reduce to the maximum extent possible the requirements for the import of raw materials and supplies.

Our ministry's deliveries contribute actively to market funds. This year these deliveries are expected to be raised 5 percent in wholesale prices.

In 1980, output is also expected to increase markedly, 7.3 percent for the entire sector. The increases in individual VHJ's vary widely: in the ZSE the increase is 9.4 percent, in ZAVT 9.1 percent, in Chirany 7.4 percent and in TESLA 4.4 percent.

A major part of the production increase is expected to derive from increased labor productivity because the increase in the work force is minimal--only +0.4 percent or 958 workers.

Earnings will rise about 2 percent depending on the VHJ as a result of rising productivity.

At the start of 1980, we were lagging behind and have not caught up yet, due mainly to shortage of supplies--be it of copper which ran out or due to irregular deliveries of rolled steel (dynamo and transformer sheets). This affects mainly ZSE.

The shortage of copper forces us and the Polish Peoples Republic to limit consumption. We need to ensure copper supply for the production of conductors for coils and create conditions for stopping imports from nonsocialist countries.

This will mean a certain reallocation of resources, for example, at the cost of copper cables which, where possible, will have to be replaced with aluminum cables.

In this situation, unauthorized production for stock cannot be tolerated as a matter of principle especially when current supplies in stock are adequate and when their turnover time has actually slowed down. Greater pressure will be exerted on production to increase deliveries of products in short supply. Therefore, it cannot be expected in these cases that the requirements of the plan can be reduced unilaterally.

The other problems are the shortcomings in enterprises for our branch. An example is the nonfulfillment of the plan by the TESLA Orava national enterprise which has many internal problems but also failed to receive deliveries from other enterprises among whom is also the VHJ TESLA Roznov. Respective general and plant managers including other management levels will be held personally responsible for the failure of subcontractors to meet deliveries.

Preparation of the Plan for 1981 and the Seventh Five-Year Plan

A balanced five-year-plan proposal is vital for the continued successful development of the national economy. The prepared and agreed upon draft plans for 1981 and the Seventh Five-Year Plan reveal that, compared with the past, the raw material, supply and fuel situation will be considerably tighter, combined with lower imports from nonsocialist countries and the need for increased exports. Therefore, a reorientation to an alternative structure which can be expected to strengthen the export potential is called for.

A reduced supply of raw materials calls for using hidden resources to better effect by accelerating the turnover time of supplies and improving the flow of supplies from supplier to consumer. Product innovation must be accelerated and the requirement for supplies and materials reduced. New capital projects must be kept to a minimum by full utilization of existing capital funds, their modernization and reconstruction. The available labor force must be used efficiently to reduce the need for additional labor.

The guideline proposed for 1981 calls for production of goods for our ministry to increase 8.1 percent, an increase which exceeds this year's by 1.1 point. An increase to 144.7 percent is being proposed for the Seventh Five-Year Plan varying from 130 percent in the case of ZSE VHJ to 190 percent in the case of the VHJ TESLA-Electronic Parts, Roznov (180-190 percent).

Deliveries for export to socialist countries will increase markedly, by 7.5 percent in 1981 and by 56.2 percent over the five-year plan; export to nonsocialist countries will increase in 1981 by 13.2 percent and by 88.7 percent over the five-year plan. Deliveries for the home market will increase by 6.6 percent in 1981 and by almost 38 percent over the five-year plan.

The tasks of the Seventh Five-Year Plan are expected to be fulfilled using 2.4 percent more workers, which is half the number we actually need.

The basic and vital objective to be met is being able to manage with the very limited available supplies of power, fuels, rolled steel, metallurgical copper products, precious metals--gold, silver and many others. Essentially, the turnover times of vital materials are only about half of what they were in the Sixth Five-Year Plan.

Prolonged negotiations and domestic resources give little hope that the proposed specification of raw material and supply resources can undergo an upward correction. In the end, the degree to which we will be able to reduce the consumption of materials in short supply will determine the degree of development we will achieve.

The very important supplier-consumer relations will have to be settled before passing on the proposed plan.

The ministry intends to use specification as a tool to influence production structure with the objective of correcting rapidly some existing disproportions in the spare parts base and the production of finished goods and at the same time reduce the consumption of supplies.

Our Technical Policy

The envisioned development of the Czechoslovak electrical and especially electronics industry must help develop and strengthen the factors which will elevate the CSSR electrical and electronics industry to elements fostering economic growth and at the same time remove the obstacles which have hitherto hindered it. Therefore, the question of accelerated research and the rapid mastering of production techniques, important in the entire national economy, are of special and greater urgency in our sector than in the others.

The spare parts base: The scope of the state Electronics target program is as follows:

- passive spare parts;
- semiconductor elements (discretionary);
- ganged microelectronic elements (10);
- construction elements for radio engineering;
- vacuum electronics products;
- specialized technological production equipment.

Within this framework the development of active spare parts and mainly of ganged microelectronic elements will be accorded priority. In the case of discretionary semiconductor elements development should aim at broadening primarily the assortment to meet the rising consumption of power output and high-tension elements, microwave parts, electronoptical elements and laser technology. In addition, also the production of hybrid electronic circuits, ganged parts and surface connectors will have to be developed.

In the production of passive parts besides technological innovation increasing the reliability and improving the technical indicators of transmission and power tubes, cathode-ray tubes and other parts are supplemental objectives.

Consumer electronics: for a number of years television sets were the most sought-after products and this trend will continue also in the eighties but in the course of the Seventh Five-Year Plan the black and white set will be replaced on the market with a considerably improved color set. Also, the production of radio receivers, phonographs, coil and cassette tape recorders will be correspondingly modernized. Satisfying domestic demand better, especially with respect to greater assortments, must be sought also by intensifying international economic cooperation.

Capital investment electronics: Here the main projects are the production of telephone exchanges with second generation cross-bar switches and transmission systems with frequency distribution. In the course of the Seventh Five-Year Plan, the production of electronic telephone exchanges and licensed production of extension electronic exchanges will begin. Of transmission technology, new radio relay equipment will be developed and the production of pulsating code modulation systems and modern telephone sets with uniform assemblies for all CEMA countries will begin.

The USSR is expected to import a considerable volume of most telecommunication products. Also developed will be radio transmitters to 200 kW for higher efficiency, greater economy in cost and maintenance, television transmitters for the fourth and fifth band for automated operation, radio relay equipment, equipment for transmission by satellite, equipment for the public radio-telephone grid and radar landing equipment with high numerical signal resolution.

Equipping machine tools, machining, textile and other machines including industrial robots with modern electronic controls is extremely important. New generations of automatic control systems will be built on license and on the basis of our own development.

Measuring and laboratory instruments: Here the main emphasis will be placed on raising markedly the productivity of measuring and laboratory work procedures.

Uniform modular measuring systems are being developed in CEMA countries and the CSSR will participate actively in this endeavor. Two systems will be developed: The IMS-2 information-measuring system and the CAMAC system destined primarily for use in nuclear technology. Both these systems have practically universal application because they are based on ECE and CEMA standards. Here the advantage lies in the fact that the CSSR will not have to produce all functional units of measuring systems but will be able to use complementary units produced in the other CEMA countries.

In the field of laboratory equipment production, the CSSR has a long tradition in a number of applications such as, for example, in electron microscopy and spectroscopy, mass spectrometry and chromatography, polarography and other fields. For these applications, the CSSR produces equipment of high standard within the CEMA countries comparable to the world standard.

In this field, the development and production of equipment for electronic lithography, potentially also other highly sophisticated equipment for use in microelectronics will be crucial.

Computer and automation technology: According to forecasts the dynamic growth in this field will continue. All our efforts, technical know-how and organizational skill will have to be directed toward improving labor productivity, shortening the time needed for innovating assortments and attaining higher quality and broader range of application.

In basic units and the entire JSEP and SMEP systems, the innovation program aims at the gradual improvement of output indicators and reliability and the completion of the long incomplete assortment of specific systems for the collection, transmission and preparation of data systems for interactive communication with data bases, etc. The range of automation programs using punched tape and punch card techniques will be broadened by new products to meet demand.

The standard basic and applied programming equipment will have to be markedly improved.

New higher automation-control systems and their individual modular parts will be programmable. The outlined innovation program is also predicated on the innovation of main groups of sensors and scanners, regulators, servomotors and other related automation tools.

The electrical engineering industry: Whole series of electrical motors are being innovated, the mode of their installation is being changed, printed circuits are used in small types and static converters are used to feed large AC motors. In addition, new stepping motors have been developed.

In the field of electrical instruments and distributors the concept of amalgamation of construction parts will be pursued further and distributors with so-called fixed insulation will be introduced. A new type of VUN distributors using iron sulfide gas to extinguish the breaking arc is being developed. Of low voltage instruments, primarily heavy-class contactors will be innovated to achieve a substantial saving in materials.

In the production of cables and conductors, plastic insulation will replace lead and nonferrous metals.

While the use of glass fibers is tempting, it still requires much research and development work or the use of licenses.

The strategy pursued by the sector will have to take into consideration the short supply of the material requirements of the electrical engineering production which will have to be alleviated by radical innovation.

Medical equipment: Since X-ray and medical electronics technology have recently undergone the most widespread expansion, technical development in the Seventh Five-Year Plan will aim primarily at:

- perfecting X-ray equipment for use in sciascopy and radiography;
- using computer technology in instruments for the monitoring of body functions and for automating work in biochemical laboratories;
- developing equipment for systemic organ replacement;
- developing a new generation of recording and monitoring instruments.

In addition, a so-called "dental cabinet" will be developed to serve as a systemic dental care technique.

Management

The changes envisioned by the Complement of Measures to Improve the System of Planned Management of the National Economy will have a considerable impact on our sector after 1980. Appropriate preparation will have to be made everywhere, initiative will have to be used to assess their impact. The objective is effective planning, not just fact finding.

In order to implement these new principles in practice, a management and working commission was established at the ministry which will shortly specify an implementation plan of the proposed new measures adapted to our conditions so that they can be put in force as of 1 January 1981.

The tasks of this year's plan are very exacting and are rendered even more so by the current unfavorable supply situation. To bring about improvement, cross-cutting conflicting claims of enterprises and VML's in our ministry on some supplies must be rapidly resolved. Then the timely fulfillment of such deliveries in desired assortments must be ensured. Negotiations were initiated at the ministerial level to ensure the implementation of the plan with respect to the supply of some vital materials.

On the other hand, it would be detrimental to succumb to pessimism and give up on the prospect of fulfilling the tasks. I am confident that a way will be found to fulfill the plan. But all economic management levels will have to make their indispensable contribution to this common goal by discerning in time obstacles to the fulfillment of the plan and removing them.

The work initiative of the labor force continues to play an important role in implementing our economic tasks. Special emphasis needs to be placed on production preparation and a new spirit instilled in the research, development and design work of production organizations including all engineers and technicians employed in preproduction stages. The same applies to supply organizations, planning units and technical facilities (toolmaking establishments, chief mechanics, chief energy engineers etc.).

DEPUTY DEPARTMENT HEAD DISCUSSES ECONOMIC POLICY TASKS

Budapest TAKSADALMI SZEMLE in Hungarian No 5, May 80 pp 11-19

[Article by László Ballai, deputy department head of MSZMP Central Committee: "About Our Economic Policy Tasks--After the Congresses"]

[Text] The 12th Congress of the MSZMP, which was held recently, was an outstanding event of our social life. It broadly evaluated the social and economic growth that has taken place in our country since 1975 and defined the most important tasks of the coming period. The debate before and at the congress displayed communist responsibility, criticism and self-criticism in the analysis of the experiences in our growth, the results and the deficiencies. The congress, which was very successful, was characterized by a creative atmosphere originating from a sense of responsibility toward the community and by an extensive preparedness and competence that were manifest in the questions discussed. According to the expectations of the party membership and the whole society, it satisfyingly strengthened the previous main political direction of our party, while adjusting the tasks of the changing conditions of the development, and it put more emphasis than ever before on the most important factor of development, namely, the human factor.

In the following we are going to deal first of all with the activity of the congress with regard to economic and economic-political questions, partly with reference to the period covered in the reports but putting more stress on the tasks of the coming period.

The Central Committee was able to report with satisfaction that the results achieved in the economy between the two congresses were also quite significant, thanks to the efforts of the party and the working people. The material and technical bases of socialism will be further expanded and updated in the period of the Fifth Five-Year Plan; the national assets will increase and the quality of life will improve. Some of the Fifth Five-Year Plan's targets will be reached, some will be exceeded and some others will not be reached. The growth of industrial production and national income will be less than planned. Industry's productive bases have been significantly updated, and technical quality and the workers' professional competence have increased. The number of enterprises that manufacture internationally

competitive goods is growing. The targets of agricultural production have been met. Agriculture is meeting the demands of the country and the population at a higher level of quality. Among the main areas of domestic consumption, the volume of investments is higher and consumer consumption is lower than planned. The increase of real wages and incomes is more moderate. On the positive side, however, the capacity of children's institutions and hospitals and the number of new apartments is somewhat higher than planned. Our efforts to balance the national budget will not be successful because the domestic and foreign conditions for economic growth are significantly more unfavorable than it was possible to forecast in 1975.

The leading organs made far-reaching decisions between the two congresses. One of them is the Central Committee's 20 October 1977 resolution on long-range economic policy and the development of the production structure. The strategy for adapting to the new world economic situation was defined in this resolution. The Central Committee's December 1978 resolution contains important elements with regard to further intensive development, directive methods and practices in economic policy. There was progress in the more complex definition of economic growth and in the exploration and further development of distribution characteristics as well.

We came to the conclusion that dynamic economic growth will not improve the balance in the given structure of production. This is why the Central Committee decided in December 1978 to make significant changes in the practice at that time. The improvement of balance became the focal point of economic policy. We had to be ready to limit surpluses and to moderate the improvement in living standards in accordance with economic growth. The leading organs took more decisive steps toward exposing uneconomical activities.

Experiences gained in 1979 corroborate the correctness of the modified practice in economic control, management and policy. Our goals in the area of foreign trade balance were reached in the year's national economic plan; along with a moderate economic growth, exports have dynamically increased, imports were less than planned and we were even able to compensate for excess losses resulting from deteriorating terms of trade.

The 1980 plan is based on the further development of the positive processes that are apparent in the improvement of balance. The goal in production is to speed up structural changes, and that of distribution is to progress in step with the moderate pace of development. This is what the early-1980 modifications are supposed to aid, which are an improvement of the economic regulating system, suitable for long-range requirements. The price system and the new principles of producer price formation have a central role in these changes. The new producer prices conform to world market prices in the so-called competitive areas that are closely related to foreign trade, intermediating the efficiency requirements that are possible to realize in international economic relations. For this reason, they will be more suitable standards for the structural changes.

It is clear—all our analyses, no matter what their subject, show this—that during the Sixth Five-Year Plan we should continue to follow the course of intensive development we embarked on in 1979.

The resolution of the 12th congress defines the improvement of national economic balance as the main task of economic policy in the Sixth Five-Year Plan.

The problems of national economic balance are connected primarily with the structure of production and the efficiency of the activities. Our country is not rich in raw materials and energy sources, while we must make increasing use of our natural resources, the expensive and increasing imports in raw materials and energy are also needed. We can pay for them only with better work that produces more value. It is our fundamental interest to use materials and energy economically, to conserve sensibly and to decrease their specific use. We must strive to process raw materials to a higher degree in order to have an added value that is recognized at the international market at prices profitable for us as well. The processing industry thus has a key role in the changes promoting the improvement of balance. Such structural changes are needed here which make possible an economical increase of exports as well as sensible substitutions for imports. Priority must be given to increasing our export capacity. If import substitution, for example in finished products, were to be pushed instead, that would only yield temporary advantages. We would be able to make less use of international division of labor and the compelling effect of competition, and this would lead, in the final analysis, to dwindling possibilities in development. In many cases, however, we cannot give up temporary advantages either.

The product structure in the processing industry is still too wide today. The improvement of the production structure requires selectivity and the dynamic growth of enterprises and production branches and activities, that make the most of materials, energy, capital goods and human labor, that use an internationally comparable technology, and that manufacture modern products sought both on foreign and domestic markets. On the other hand, activities that do not meet such requirements must be made economical; if this is not possible, then we must be ready to gradually decrease or, if necessary, stop production entirely. If the activity stopped affects the basic provisions of the population, then the appropriate products must be acquired through imports.

The objective of this process is not to maximize production. The volume of production is a function of the intensity of the structural change. We cannot count on big changes in a short time, but we must do everything possible to adapt ourselves as fast as possible to international circumstances. This will determine when we can set forth again on the road leading to a more dynamic development and a faster increase of living standards which we cannot forego on the long range.

Our country has good potentials for agricultural and food production. We have valuable farm lands, and our climate is favorable. Farm and food products have been for many years, and will continue to be among those which insure the highest foreign exchange. Food products, together with energy, are important strategic products which are always in demand on the world market. Production is already almost twice as much as the domestic consumption of farm and food products. We may put export interests in the foreground to further increase production and to change its internal structure without endangering the domestic supply.

Technological development plays a decisive role in changing the production structure. This must be increased despite the limited possibilities for investment. Modernization must also be made more rapid by a widening of reconstructive developments and by the elimination of out-dated equipment. The fact that the product modernization projects, which were started in 1977-1978 and which at that time added to our problems of balance as a result of their volume, can be finished today with less expense, and may be an advantage even now when investment activity is very much curtailed.

The change in the product and production structure necessarily entails the more efficient use and planned re-grouping of the labor force. The characteristics of labor management are changing. The labor situation was characterized a few years ago by a general labor shortage. Although there were still more jobs than workers today, the labor shortage has decreased as many enterprises sensibly regrouped their labor forces. Nationwide demand and supply of labor will approximate one another even more in the future. Staff numbers may be further decreased in the areas of direct production as a result of an increase of efficiency and a moderate increase of production. Manpower will also be freed in the various areas of management. At the same time, employment will be increased in areas of public supply and productive and nonproductive services.

Full employment will be maintained as a social policy as an achievement of our socialist system. However, this does not mean that every one will stay at his present job. In some areas a new labor shortage or surplus may be apparent in the future. These may be important signals for the direction of the possible and necessary movement of the labor force. We can be certain in any case that unjustified job changes will decrease and the conditions for improving efficiency and discipline will improve.

The future pace of our economic growth will be determined, to a large part, by the intensity and efficiency with which we participate in the international division of labor. The fact that we belong to the community of socialist countries gives us strength and security. Our relations with the Soviet Union are especially significant and fundamental for our progress. Long-term contracts guarantee the safe exporting of our goods in high volumes and the importing of a significant part of advanced technology. In the coming period, however, we must realistically reckon with the fact that our possibilities for acquiring raw materials and energy from the socialist countries are not as unlimited as they once seemed.

We are striving for a significant expansion of economic cooperation and foreign trade with countries of the developing world. These countries are playing an increasing role in the world economy. We give them assistance, in proportion to our possibilities, in strengthening their economic independence.

Although international relations have become strained--relative to the period of the previous congress--and certain imperialist circles, mainly in the United States, are endangering the achievements of detente through their activities, we are firmly determined to continue with our work in developing economic relations with the capitalist countries as well, based on mutual advantages and equal rights. The bigger task will undoubtedly be the improvement of our exporting capacity to these countries. Agreements of cooperation with capitalist enterprises increased in the past years; these agreements give us an opportunity to expand our exports and to cover our import needs. We want to continue on this road.

The management system must also keep in step with the changing economic situation and increasing demands. Planning, regulation, the institutions of management, and the organization of management units must be improved. Work in preparing decisions, the coordination of decisions, and the handling of the main economic processes must be improved in central management. All of this should not, however, have an adverse effect on enterprise independence. In coping with our economic tasks, we cannot afford to dispense with the independent and successful work, initiative and ventures of the enterprises.

The economic regulatory system defines the conditions of financial interests of the enterprises and cooperatives. The regulation, changed as of 1980, puts a special emphasis on the new system of producer's prices, which reflects the world market's value assessment and efficiency norms, and thus helps in maintaining an economic clearheadedness. Normality, i.e., the unified requirement system, is an important basic principle of the regulation. Profitability and unprofitability will become clearer and more unequivocal through a consistent application of all this. The organs of management have a great responsibility in implementing the new regulation, not only in its principles and on paper, but also in practice.

The standard and conditions of living depend on the success of our economy. Despite more difficult conditions, the living standard has increased in the past years. However, we will reach the original objectives of the Fifth Five-Year Plan neither in the areas of real incomes and consumption nor in the improvement of productivity and efficiency.

According to the resolution of the 12th congress, the main objective of living standard policies in the Sixth Five-Year Plan, knowing our possibilities for development is to preserve the results already achieved and the most important social accomplishments. The stability of the living standard does not mean any kind of immobility; certain elements and inner proportions of the living standard can, and will, change. The population's real income and consumption continues to increase if only to a modest degree. The living standard of those who are doing an outstanding job will continue to rise in the future as well. We want to improve the living conditions of certain disadvantaged groups through central measures.

Existential security is a fundamental achievement of our society. Total employment and social benefits will continue to be the solid pillars of existential security. Society guarantees an opportunity to work, and thus to make a living, for every one. The individual's prosperity is based on the work he has done. The possibility to freely choose one's job will be maintained, but the demand for labor according to national economic interests will have a greater influence on finding employment. Social benefits will continue to be a guaranteed source of income for those whose existence depends entirely on them.

We want to match distribution better with the present and expected conditions of economic development. A reassessment of certain elements of the previous concepts of living standards--born under favorable conditions--is needed, and other elements will have to be considerably strengthened.

According to previous practice, the plans included the simultaneous development and growth of all elements of the living standard, and only the timing of these was different at the most. This is untenable in the present situation. A slower quantitative progress or, in certain areas, a sustenance of standards will not exclude qualitative progress. Supplementary financial sources must be explored for certain especially important goals of living standards, such as the present improvement of the conditions for raising children, for example. Finding these sources is primarily the task of production, originating from work, but distribution can also be improved by limiting the opportunities for drawing higher incomes than justified by the work done, and by examining those areas of benefits where, in comparison with the general level of economic development, there are slight excesses in the system or practice.

We were not able to implement the directives of the 11th congress, according to which the improvement in living standards should serve material prosperity as well as economic efficiency. In the present conditions, it is especially justified to connect the living standard more closely with efficiency and with the improvement of national economic balance.

The party's directing bodies have dealt several times since the 11th congress with the questions of living standard policy and distribution. The objective of the measures taken for the analytic exploration and further development of distribution is to make distribution a better incentive for intensive development, to match it with our economic possibilities, and to approximate social justice that is demanded.

In our society, the main principle of sharing the goods produced is distribution according to achievement. In practice, this is manifested in wages and differences in incomes. There are three main factors that affect the latter: the work done itself (its quantity, quality and difficulty, the training it requires, the responsibility connected with it, and working conditions); the relationship between demand and supply of labor and the social prestige of the given job; and the social considerations that determine the minimum wages.

In years past, wage policy consciously strived to level off the differences in incomes between the different jobs and professions, between women and men doing the same job, and between productive and non-productive areas; this has been realized. At the same time, we were not able to reach our goal, of achieving a differentiation of workers doing the same job, based on the quality and efficiency of their work, and also manifested in their wages.

In principle, the wage and income regulating systems made it possible to differentiate between individual incomes, but they have not been adequately applied in practice. Often a conception independent of performance or a characteristic concept of socialist equality lurks behind the efforts of levelling-off, and this is frequently supported by corporate organs as well. Although this attitude is humanly understandable, its consequences are contradictory. While paying equal wages decreases certain sources of conflict within a group, it also creates new ones by limiting the incentives for better individual performance, which is, in the final analysis, not in the interest of the given group or society either. It is even more detrimental to society that the standards of performance become undependable and that the demand for a larger income, obtainable only by overtime work and moonlighting, is exerting a pressure from below to maintain the disorganization that is apparent in the production process.

The examination of the wage and income regulating system led to the conclusion that there is no need for extensive changes, only its incentive function must be strengthened. This is a question of the day, and it cannot be considered only as a concern of local managers. The regulation itself must better express the incentive character. This is the area where the new elements of the regulation, introduced as of 1980, bring about the changes. As the financial rewards for staff management increased, savings originating from smaller staffs may be used for wage increases. The enterprises may have, depending on efficiency and their staff need, more differentiated possibilities for wage increases. Under stricter requirements, the annual tax-exempt wage increase could be, in principle, between 2 and 9 percent as opposed to the present 1.5 and 6 percent.

In order to achieve a more consistent financial recognition of individual performance, it is necessary to measure and rate work more widely on the basis of objective standards and expectable requirements. From the standpoint of income differences, it is an unfavorable, but not exclusive, factor that for a few years there will be generally no, or little, possibility to increase real wages. This means that, while the real wages of the outstanding workers will increase, the real wages of those who cannot fully meet the requirements will stay the same or will even decrease in some cases. Since there is now an increased need for incentives to carry out our economic tasks, we must be ready to accept wage differences on the basis of performance even under such circumstances, affecting both employees and managers.

A characteristic area where distribution is according to performance is free-time work and money-making activity at one's own initiative, often done within the family for a supplementary income. Its characteristic areas

include agricultural household plots and supplementary farms, activity in small-scale industrial production and service, construction of homes and cottages with the family's help, and catering. The reason for the existence of all this is that the socialist sector is not capable, even within a large industrial framework, of meeting all demands. Supplementary farms, based on individual work, thus operate on the basis of the actual demand and, from the standpoint of the national economy, they are carrying out extra work.

The MSZMP's 12th congress gave them high-level political recognition and encouragement. It was pointed out that their activity is beneficial both for the national economy and for the individual as it increases both national assets and the financial resources for maintaining the living standard. These reserves of our progress must serve our economic development even more in the future. For this it is necessary to connect these activities, even in non-agricultural areas, more closely with socially organized activities and with the socialist works.

Because of mixed social judgments or a lack of recognition, the population's work that is based on self-initiative is still carried out today simultaneously in legal, semi-legal and illegal ways. Thus the legal, economic, managing and controlling conditions for this activity must be regulated. A guarantee for a favorable attitude, help and coordination by the socialist sector is also needed, which will not decrease but rather increase the population's zeal to work. Hungarian agriculture is already a beautiful and exemplary model for this, where a well-organized and efficient distribution of labor was developed, namely, the large socialist plants do the mass production that requires advanced technology, and the small plants closely connected with them primarily do work that requires manual labor.

The incomes originating from supplementary household plots, as well as the high incomes that are in proportion with the amount of work, must be socially recognized. This does not include benefits resulting from monopoly, which considerably boost incomes in certain services as opposed to incomes for the same amount of work in the socialist sector. We must deal with monopolistic situations by employing economic weapons, namely, by expanding and regulating legality and by increasing supply.

Distribution according to performance is distorted by certain supplementary incomes connected with activities in the socialist sector. These include "grease" [pay-out for an anticipated favor], "thank-you money" [gratitude for a favor] and the tip, all of which constitute an income that is not in proportion with the work done and is not controlled socially. We have dealt with these phenomena several times before, there were even a political stand and a program of government measures taken against them. The tasks are well known but we cannot count on rapid results because of old habits and ways of thinking. Socially, the most dangerous of them is the "grease" money, which is nothing but bribery. It is prohibited either to give it or accept it and we must fight against it using all the means of justice and law. The existence of "grease" is based on demand that exceeds the supply and on shortages of goods and services, and thus we can hope to eliminate it primarily by

eliminating the shortages. The "thank-you money," because of its wide use and the high amounts, makes it questionable in some places whether health care is free. It is thus an important question of medical ethics to confine it to within appropriate limits, but it also depends to a great extent on the attitude of the patients. Tipping is based on old traditions and it is the least dangerous phenomenon, but the increase of the areas of tipping, the increase of the amounts of the tips and its occasional extortion are causes of concern. The spread of tipping can be checked by economic and organizational measures. There is a danger in a more difficult period of economic development that the basis of this phenomena is going to widen. We must pay attention to it, and take measures against it in time.

Our system of social benefits is well-developed, considering our level of economic development, and is internationally recognized. However, there is some unevenness in its inner structure. In the case of certain benefits, the practice is all too humane (for example, retirement benefits for handicapped persons, or bonuses to increase social security funds), while there is a significant shortage in hospital beds and services for the elderly. Pensions are much more differentiated than incomes. The incomes of families with several children are relatively lower than that of childless couples, in spite of various benefits. Distribution thus must be improved in the area of social benefits as well.

The main tasks of social care are society's help in raising children and care for the elderly. We want to emphasize improving the conditions for having children. In caring for the elderly the role of the family and the direct environment must be increased in addition to social benefits. It is justified to create retirement conditions which will moderate the differentiation of pension. One way for example, is to raise the minimum time of service necessary for retirement. At present, it is 10 years in our country, and this is not realistic 35 years after the liberation. We stand alone with this low requirement among the socialist countries as well as the rest of the world. Since the introduction of child care benefits 13 years ago, raising children also counts toward retirement. Under such conditions it is possible to expect from the members of society who are capable of work that they contribute in their active age to their future pension with more years of service.

In spite of our limited resources, the network of institutions offering benefits-in-kind is being further expanded. Health care is going to have a key role and basic care will be improved, first of all, with special emphasis on increasing the capacity of in-patient institutions. Because of a decreasing birth rate since the mid-1970's, the capacity of day-care centers and kindergartens can be perceptibly improved even by a more moderate development. At the same time, a large number of children are entering schools, which must accommodate them even through temporary solutions.

Not everyone shares equally in the benefits of social progress and the improvement in living conditions. There are disadvantaged classes. Disadvantage, which is not synonymous with indigence, is caused by financial and cultural backwardness, bad living conditions, certain characteristics of age, health, factors of awareness and behavior, and disturbances in social conformity. The effect of all these may become accumulative. The majority of such persons are not capable of improving their lives by themselves. The state and social organs must pay more attention to them and help ease their problems.

According to the second 15-year apartment building plan, 370-390,000 apartments will be built during the Sixth Five-Year Plan, and more money will be put into the maintenance of existing apartments at the same time. The rate of growth of families and the demand for apartments will be moderate and thus the apartment situation may significantly improve even with this many apartments. The number of apartments to be built is about the same as the known number of applicants was at the beginning of the period. We are striving for a more just system of apartment allocation which takes into consideration the financial situation of the families, the living conditions of families with several children and the starting conditions of young people.

The party and government leaders still consider it especially important to have a balanced supply of goods and better services. Their role will further increase in guarding and further improving the achievements in living standards. Through the coupling of producer and consumer prices we can continue to reckon with changing consumer prices. An improvement in the relationship between consumer prices and real values is needed, for this is an area where we are lagging behind. This means, at the same time, a more proportionate share of burdens between the state and the population. In the future, our economic policy wants to avoid, as far as possible, allowing prices to play an income-regrouping role. For this reason, the pace of increase of consumer prices must be kept within appropriate limits.

In the present situation we must be more concerned with non-material elements of life style and with measures that influence the population's feeling and political mood. This includes the change to the 5-day work week, which was resolved at the 12th congress. This change must be coupled with better-organized work, with an improvement of working conditions and work discipline.

It is the program of maintaining or partly improving the standards of living that we can define as the goal for the next 5 years. Considering our conditions, and not underestimating our achievements, we must view the accomplishment of this goal as a significant result. We do have things to safeguard! Our party is, of course, optimistic with regard to the future. The willingness and creative mood of the masses and decent work will bring us success.

1980 PRICE, REGULATOR MODIFICATIONS EXAMINED

Budapest PENZUGYI SZEMLE in Hungarian No 5, 8 May 80 pp 323-330

[Article by Peter Medgyessy, Judit Szabolcsi and Klara Kamaras: "Some Features of the 1980 Price and Regulator Modifications, and Fitting Them Into the International Mechanisms"]

[Text] Price System, Exchange-Rate Policy

With the 1980 price and regulator modifications we wish to create a situation in which economic units will necessarily feel the conditions that have become stricter for the entire economy. Our objective is to provide opportunities for rapid growth to the most efficient and most economical producers; to enable, occasionally with temporary aid, the producers to catch up who at present are less efficient but are capable of development; and to let the least economical producers close down when continuation of their activity would not be worthwhile, neither to the state nor the enterprise.

In the process of structural change and modernization we wish to rely increasingly on the orienting and compelling role of prices. Pricing based on world-market prices serves this purpose. To a greater extent than before, it takes into consideration the altered price ratios of raw materials and finished products on the world market.

Our price system took into account even up to now the foreign-market price changes and followed their trend. In the sphere of raw-material prices --to a significant extent these were official prices--we employed the so-called method of price mixing. The essence of this method was that the domestic "average" price was computed as the average of the actual procurement prices weighted by the procured quantities. Under this system the foreign-market price changes modified the domestic price only in proportion with their role in procurement; the domestic price could undergo modification even without any significant foreign-market price changes, solely as a result of a change in the proportions of the provenances, although the procurement prices remained unchanged.

The Hungarian economy's raw-material base is limited, and we must rely on import to a significant extent. Up to now our economic growth has been rather material-intensive; an increase in the proportion of raw materials required for our further growth will likewise have to be procured abroad where in most cases we must anticipate increasingly severe world-market conditions. We are importing significant quantities of raw materials from CEMA countries at prices that, although advantageous, are rising and approximating or reaching the world-market prices. A proportion of our additional demand must be procured at the prevailing world-market prices. For this reason we have regulated raw-material prices--their modification will lie from now on predominantly within the competence of the enterprise--in such a way that the domestic raw-material prices will have to follow the trend of the world-market prices' level and development. Only in this way will it be possible to achieve that our enterprises attain on the world market, under the pressure of their costs, the export prices that are realistically attainable.

Within our price system the development of world-market prices as the basis of pricing extends also to finished products. In the so-called "competitive" sectors, which are able to compete on foreign markets, the economic units must base also their domestic sales prices on the world-market prices. Conditions on the domestic market are not yet such that they automatically curb efforts to raise prices. Earlier, under the old system of pricing, our price system and financial system recognized also individual costs that cannot be recovered on foreign markets. The form in which this was done was sometimes the price itself, and sometimes the supplementary financial system combined with elements of individual subsidies.

The real conditions of competition and the international requirements cannot be met with a single stroke, but our price system must signal the desirable direction of development. We need manufacturing prices that are selling prices. As a starting base, the actual Hungarian export prices are such selling prices. From the viewpoint of Hungarian industry, let us call these prices "requisite" prices. The requisite price fulfills its role if in the course of its functioning it enhances development of such conditions of economy, management, effectiveness and marketing, and such changes in the economic structure, that impart real meaning to the requisite nature of the price. The objective, in other words, is that not only the prices but also the production costs conform to the external, world-market conditions.

The price system is in close interaction with the level of the exchange rates. Since we rely on the world-market prices on a wide scale, primarily the level of the exchange rates of the currencies that are bought and sold on the world market is significant from the viewpoint of pricing. Our currency is not convertible, and thus development of its exchange rate is not regulated by supply and demand. We approximate the forint's exchange rate by computations, in the course of which we must weigh several requirements, some of them conflicting. The exchange rate must simultaneously:

Enhance development of the export structure, through a differentiation of incomes;

Approximate the balance of export and import, but without reinforcing, and possibly reducing, the foreign markets' inflationary effects.

In meeting this latter requirement the exchange rate influences only the price level, but it does not replace the function of the price ratios' modification and change. An overvalued currency either curbs export or requires an extensive supplementary financial system that acts against the desirable transformation of the export structure. If we take the tasks of the coming period, the considerations of structural policy are of outstanding importance among them. In the case of an exchange rate that takes extensively into account also the efforts to curb inflation, these considerations of structural policy can be asserted only if general purchasing power is strictly regulated. This is the path we are following as of 1980.

Under an exchange-rate policy that serves the objectives of structural policy, then, regulation of purchasing power is of outstanding importance from the viewpoint of external equilibrium. Accordingly, entire price regulation and financial regulation must direct enterprise decisions so that in the final out come there will occur desirable microeconomic processes that place emphasis on equilibrium. In the course of this, on the one hand, the general tightening of the enterprises' finances constricts effective domestic demand, limiting a further rise in imports. On the other hand, the relative constriction of the domestic demand directs the growth- and profit-oriented enterprises toward export.

At the new price ratios it becomes evident that in many areas our production structure departs from the structure that the foreign-market prices (and outlays) warrant. Our objective is to modernize our economy. But to enhance this we can expect only limited competition on the domestic market in the coming years. A good solution would be to intensify import competition, but under our present equilibrium situation we cannot rely on this instrument with significantly greater intensity than at present. We could forego a smaller proportion of our output, but not a significant proportion of over 10 percent within a short time, because the most favorable activities would be unable to compensate for the dropout so soon. Over and above this, a proportion of the unfavorable activities is still able to catch up with the favorable ones. Therefore we must resort also to supplementary financial instruments to force structural change and modernization. To this end we have set the exchange rate at a level such that the domestic prices based on foreign-market prices will constitute a strict standard; the so-called "requisite" prices are supplemented by a "requisite" exchange rate. In view of the product mix of our export, this exchange rate is of significance particularly in manufacturing. This is the area where the changes of the world-market prices and price ratios revealed our weaknesses the most; therefore this is where we must become widely competitive with the foreign producers, as soon as possible. The dollar's exchange rate as of 1 January 1980 is 34 forints.

The standard of profitable economic activity, which we wish to achieve by taking the foreign-market prices more consistently into account, will be much stricter under the new conditions. For a wide range of products we

must fit the value added into the gap between the diverging costs determined by the rising energy and raw-material prices, and the domestic sales prices defined by the export prices. Thus the level of international productivity and modernness becomes the standard for the value added. It is obvious that the economy is unable to immediately meet the suddenly higher requirements, and that the individual areas vary considerably also in terms of their starting position and ability to catch up. We cannot force all the economic activities that momentarily are unfavorable; instead, we must give them an opportunity to raise their economic effectiveness, to improve their profitability by changing their product mix or through greater economies in the use of energy and raw materials, or to raise their productivity by employing modern organizational methods. Important conditions for attaining higher prices are further progress in the products' degree of fabrication, and perfection of the commercial organization to ensure and preserve a stable presence on the markets.

A period of transition is required to catch up. To the enterprises that have viable concepts for further development, therefore, the state may provide production-modernization subsidies. Such subsidies are awarded by an interministerial committee headed by the minister of finance, on the basis of predetermined criteria and conditions.

The international rules of conduct on subsidies also permit the application of this form of aid. These rules permit subsidies for promoting the governments' broadly interpreted social policies; it is not their purpose to prohibit subsidies for industrialization, structural change or the elimination of regional differences.

The economic units receive subsidies commensurately with their proceeds from sales. The already attained level of international competitiveness weighs heavily among the conditions for awarding subsidies. Since our objective is to increase the general export orientation of the economy, we believe it is essential that more such aid be awarded to the economic units that assume a role in this task. Assumption of a role may manifest itself in transforming the economic units' product development to meet the growing requirements, in a higher level of marketing work, etc. Subsidies may also help to develop new products to replace uneconomical export, and to test such products on the domestic market.

These subsidies are of a temporary nature, and their basic characteristic is that they are degressive. The economic units, then, cannot "live" on such subsidies but are compelled to constantly improve their declining economic effectiveness. Our objective is to phase out such subsidies in four years in general, and in five years within agriculture and the food industry. The rates of degression will be identical. This places greater requirements on the economic units starting from an unfavorable level of economic effectiveness, with less stringent constraints on the economic units that start out from a more favorable level of economic effectiveness.

Refund of Producer's Differential Turnover Tax

Raw-material prices and the procurement prices of energy vary with time and by provenances. Reproduction or importation of these commodities is becoming more and more expensive and is a highly capital-intensive activity. For these reasons it is warranted that the mentioned products contain extra social net income, to compel their users to economize. The income realized in this manner is called producer's differential turnover tax.

The producer's differential turnover tax is built into the prices in the subsequent phases, and it burdens also the exporters' costs cumulatively, to different extents. Therefore it is warranted that in export we refund the tax content, totally or partially. The accumulation, however, cannot be traced, and therefore the incomes can be refunded only on a compromise basis. In our economy the tax refund on industrial export is generally 10 percent. The actual tax content can be better defined for larger areas, and thus some sectors receive tax refunds different from the general refund. In the clothing industry, for example, the rate of tax refund is 16 percent, because in this sector the tax content is above-average. Ferrous metallurgy does not receive a tax refund at present, because our objective is to export products in higher stages of fabrication.

Solutions similar to our system of tax refund are well known in international practice. In the Common Market and other developed countries, prior to the introduction of the VAT system, a cumulative turnover-tax system prevailed, under which it was impossible to quantify the taxes included or passed on in the prices. For this reason the refunds on exports were based on compromise rates that differed by countries.

Export Subsidies for Agriculture and the Food Industry

The producer's differential turnover tax realized in the prices affects also the costs of agriculture and the food industry, and therefore also this area receives a tax refund. In the case of their nonruble-denominated export, agriculture and the food industry receive a uniform grant of 25 percent that partially covers the tax refund and partially includes a certain amount of export subsidy. Products (for example, meat) whose world-trade prices are depressed due, among other things, to protectionistic and occasionally discriminative price factors, have a significant weight within our export structure.

The channeling of additional resources to agriculture and its relatively separate treatment are likewise not new in international practice. The individual capitalist countries resort to the most diverse methods to protect the income of their exporters, even at the expense of other countries. A good example of this is agricultural protectionism within the Common Market. The EEC countries have established a common agricultural policy, the essence of which is as follows: customs duties and quantitative restrictions on mutual trade have been abolished; uniform agricultural prices have been introduced; and variable levies on imports from third countries are employed to protect EEC farmers. In the case of export outside the Common Market,

a subsidy equal to the difference between the highest EEC producer price and the importing country's market price is paid automatically. To maintain a suitable price level, the variable levies on imports and the subsidies are modified frequently, in accordance with the seasonal variations of the individual products' world-market prices. The bulk of the variable levies on imports is centralized in the Common Agricultural Fund, from which the export subsidies are financed.

Accounting Practices

Through changes in accounting practices we wish to make more useful also for the managing organs the better orienting role and information content of the new price system and system of regulation.

The budgetary resources that are a part of the general regulation and are recognized as so-called normative financial resources for all economic units will be included as a part of the balance-sheet profit, in the same way as before. This profit shows the effectiveness of economic activity, without the differentiating financial bridges, and it comes closer to the enterprise's real effectiveness. It provides a valuable analytical tool for the managing organs, to classify the prices and regulators and to appraise their effects on enterprise activity.

Refunds of the producer's differential turnover tax, and the export subsidies for agriculture and the food industry will be accounted in this manner. The production-modernization subsidies that are of a temporary nature and are classified as so-called nonnormative subsidies must be accounted separately. They may not be included as a part of the profit in the balance sheet and are merely a part of the profit on which the material incentives are based. This again reflects their temporary, restrictive nature.

Special Regulations for Ruble-Denominated Trade

Trade with the socialist countries plays a key role in our economy. Our relations are characterized by longer range and close ties that exceed the scope of commercial relations. In addition to civil-law contracts, also intergovernmental agreements regulate cooperation. Commodity and money relations assert themselves in a special way, and relations in physical units are of great importance. For these very reasons, regulation differs in several respects from the regulation of nonruble-denominated trade:

Coordination of the national economic plans is the basis of unfolding economic integration. In the course of coordination, the volumes of mutual deliveries necessary for the individual countries' economic development are determined, and joint investments or the resources for their financing are coordinated. Trade is conducted on the basis of five-year and annual trade agreements. Quotas specify the quantities by commodities or commodity groups. For basic, homogeneous products the quotas are set in physical units, but in value terms for the items that are difficult to specify (for example, consumer goods). The quotas simultaneously define

the trading partners' obligation to supply. The import and export targets are integral parts of the individual socialist countries' national economic plans. All these characteristics are reflected in the financial regulation of the developmental concepts, of the reservation of capacities, and of the economical fulfillment of international obligations.

In our exchange-rate policy on ruble-denominated trade, the 1980 starting exchange rate of 28 forints per ruble has been based, in accordance with past practice, on the economy's average foreign-exchange earnings. Our export structure is strongly differentiated, and our export is concentrated partially in the area of favorable production costs, and partially in the area of high production costs. To set the exchange rate on the basis of the most favorable range of foreign-exchange earnings would have made a large proportion of our export unprofitable or would have required extensive financial instruments and subsidies to provide a suitable incentive. At an exchange rate based on the least favorable foreign-exchange earnings, on the other hand, it would have been necessary to use extensively the instruments of revenue transfer. The transferable ruble's introduced exchange rate provides a suitable basis for financial regulation and simultaneously offers realistic incentives also from the viewpoint of the cross-rate between the ruble and the dollar.

The forerunners of our exchange rate, the so-called price multipliers, were introduced in 1968. At that time the cross-rate between the ruble and the dollar was 1.5:1, the exchange rates being based on the economy's average foreign-exchange earnings. The explanation of this cross-rate lies in the natural differences between the CEMA product structure and Hungary's export structure. Different aspects and rates had to be taken into consideration also in the course of modifying the exchange rates. The cross-rate's departure narrowed significantly over the years. As a result of changes in the forint's exchange rates, which took into account the changes in the value of both the dollar and the transferable ruble, by 1980 the cross-rate between the ruble and the dollar narrowed to 1.2:1. We do not levy customs duty on imports from socialist countries, but for a narrow range of products an import turnover tax is built into the domestic prices.

In terms of economic effectiveness our ruble-denominated export is polarized, and the changes in the price system further underscore this polarization. This fact does not permit the uniform treatment of ruble-denominated and nonruble-denominated export. Ruble-denominated export--taking into consideration also its different characteristics such as, for example, the fixed prices, the special pricing mechanism, and the significantly different domestic prices in accordance with how they are based on the world-market prices--requires more-differentiated regulation.

The exchange rate makes a significant proportion of the export profitable. Because of the higher energy and raw-material prices, however, there are areas whose costs the exchange rate does not cover at present, but also this export is necessary to satisfy the existing demand. Therefore the enterprises that are willing to improve their economic effectiveness and adapt more readily to the requirements of the market, or the activities whose

continuation of export lies in the special interest of the economy, will be able to obtain subsidies. Over and above this, also other factors that make ruble-denominated export more advantageous (large volumes in relation to the scale of production, permanent and secure marketing opportunities, and immediate collection) will encourage the expansion of export.

In some areas of export we will have to resort to the instruments of revenue transfer if there is no way of expanding production and export commensurately with the profitability. In setting the transfers of revenue, however, we will remember to leave the enterprises sufficient revenue as an incentive to fulfill their export tasks.

Regulation of Import

The starting point of import regulation is the regulation of purchasing power, which makes import contingent primarily on the availability of the necessary forint resources at the economic units. In a wider sense this means the regulation of equilibrium, a good example of which was 1979. Under strict financial regulation, external and internal equilibrium improved considerably in comparison with the preceding years. Financially this was based, among other things, on a higher rate of profit tax, on the curtailment of the scope and rate of import subsidies, and on higher import duty on some engineering products.

In addition to the preceding, another essential element of the regulation of purchasing power--as we have indicated earlier--has been the modification of our price system in such a way that it influences the demand for import through realistic value ratios. The related credit policy and financing policy increasingly aim to lower the capital stock of the economy. Through the instruments of credit policy, for example, we wish to reduce the inventories accumulated in the preceding years. In the financing of investments, on the other hand, the central organs choose more-moderate solutions than previously. All this jointly generates an import demand that is in accord with the efforts to transform the production structure, and also with the planned rate of economic growth.

Regulation of purchasing power is supplemented by other economic instruments:

Since 1968, we have an effective system of customs duties. The duties are built into the domestic prices, to ensure the protection of domestic production. Under a price system based on world-market prices, the significance of customs duties will increase considerably. With their help, a more realistic value judgment can be made of import than previously. Simultaneously the customs duties provide an opportunity for increased participation in multilateral trade. We took part in the multilateral tariff negotiations within GATT where, as a final outcome of the mutual tariff concessions, Hungary's nominal tariff level will be reduced by 40 percent. In accordance with the international agreement, the tariff level will be reduced gradually in 1980-1987: from the present 24-percent nominal tariff level to a 14.8-percent tariff level in eight years.

The system of licensing export and import is a tool for implementing and controlling trade-policy and foreign-exchange measures. Licensing provides valuable up-to-date signals about the development of the processes specified in the plan.

When applying for an import license, importers must pay a fee that is 2.0 percent of the import value. During customs clearance, another 2-percent statistical fee is collected, in view of the fact that the government organs publish the information gathered from the enterprises and make this information available to everyone.

We take care to ensure that the temporary liquid assets of foreign trade do not constitute additional purchasing power that would hamper attainment of our equilibrium objectives. For this reason we set quotas for the importation of a few items that are vital to the national economy and are imported from convertible-currency provenances. The members of GATT took cognizance of these quotas at the time of Hungary's accession.

The Hungarian economy is participating closely in the international division of labor and will continue to do so also in the future. Therefore our future economic policy wishes to promote more-extensive utilization of the opportunities stemming from the international division of labor, in order to accelerate our growth and to increase the adaptability and stability of our economy. Another condition for the successful realization of our post-1980 economic-policy objectives is that external effects be transmitted by a system of instruments that expresses the domestic conditions and interests of the economy, and at the same time is accepted in international practice and is in accord with our assumed international obligations. Thus a prerequisite for effective functioning is that our mechanisms for contiguous areas of the external economy suitably fit into the order of socialist cooperation, as well as into the developed system of the forms of trade and cooperation with nonsocialist countries. In presenting certain elements of the system of regulation that is in effect as of 1980, we wished to call attention to these features.

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MALEV OFFICIAL DISCUSSES AIRLINE'S SITUATION

Budapest MAGYAR HIRLAP in Hungarian 17 May 80 p 7

[Interview with Jozsef Javor, MALEV director, by Eva B. Mezei: "Is MALEV Costly?: Kerosene and Costs--Few Pilots--Plenty of Orders"]

[Text] [Question] To fly in the blue sky.... One could tell a lot of tales about this, about the beauties of flying. More and more people in Hungary, too, are taking advantage of the fastest means of transportation of our day, although this has not gotten any cheaper, either. Concerning the latter theme, we will try to approach the present situation of civilian flying from the standpoint of profitability with Jozsef Javor, managing director of MALEV.

[Answer] In the past year MALEV's fleet--18 airplanes--flew a total of 46.5 million kilometers. They went to 39 cities in 26 countries; in the past year the number of regular flights was expanded with three new ones--Kuwait, Baghdad, and Salonika. The airline, which is busier and busier every year, receives a significant state subsidy.

[Question] Why is the subsidy necessary?

Countries and Tickets

[Answer] Let's start with an example first. A Budapest-London round-trip tourist class ticket costs 12,000 forints, and domestic residents only have to pay 2000 forints for a Budapest-Moscow round-trip ticket, the same distance. And since the costs are identical, the state contributes to the latter to a significant extent: it subsidizes every ticket to the socialist countries by 160 percent.

Still in the mid-1950's, the airlines of the socialist countries agreed in the so-called Berlin convention on a special tariff system valid for their citizens, and they established these reduced prices on this basis. And since passenger traffic is significantly expanding year by year, the expenses of the state for civilian flying are therefore also increasing.

[Question] In recent months several reports have appeared in both the foreign and the domestic press about cheap foreign flights. Thus, for example, a ticket between the United States and the Continent costs 200-300 dollars, while earlier they were asking twice this. Is MALEV planning such flights?

[Answer] We should perhaps start with MALEV's prices. We have already spoken about socialist flights. For other flights we set tariffs on the basis of the regulations of IATA, the air transport organization operating under the United Nations Organization, that is, not arbitrarily. Although we are not IATA members, we still must comply with international tariff regulations. IATA makes a 9-13 percent price increase possible, but in the fall we only put a minimal 10 percent into effect, unavoidable because of an increase in fuel costs. We have no interest in raising prices, either, for then passenger traffic will decline. Naturally, besides our scheduled flights, we also carry more cheaply on so-called charter-flights, on trips organized through travel agencies. Thus it is possible, for example, to spend 3-4 days in Paris or London by MALEV Air Tour for half the price of a round-trip ticket. The extraordinarily cheap American flights that were mentioned are initiated not by a national airline, but by its subsidiary enterprises, and in several countries airports refuse to handle them.

The Training Is Long

[Question] Compared to past years, the airplane propellant kerosene has become very expensive. In spite of the increased cost--which it has been impossible to reflect fully in the price--is it still possible to speak about the profitability of flying?

[Answer] Yes, it is--with better utilization of the airplanes. Travelers fill the best-utilized fleet in the world at 54 percent yearly. We scarcely lag behind this--MALEV flights are booked at 53.4 percent. Unfortunately, we often even have to limit the number of passengers, and the plane is not full not because there are insufficient passengers, but because at some airports they do not sell fuel, and we are forced to carry it with us for the return flight. We are not planning a significant increase in the fleet. There are 14 passenger-carrying craft operating now and for the future we are planning the purchase of two additional TU-154's. In the Sixth Five-Year Plan there will be the possibility of acquiring yet another two airplanes from the Soviet Union. We want to increase utilization by increasing the number of flights; this is impeded, however, by the fact that we have insufficient personnel, and although MALEV now has more than 100 pilots, we could employ even 200. The training lasts a long time, and it is as long as 10 years before someone becomes a captain. We expend quite a large sum, approximately 40 million forints annually, on training. Even active pilots receive new theoretical and practical instruction every year. In the Soviet Union they take an examination in a so-called simulation exercise on what to do in special and dangerous situations. The planes presently make an average of two trips per day, and we would like to expand this.

To Improve Profitability

[Question] Besides providing passenger service, MALEV also carries freight. But why do domestic enterprises ship by foreign airlines? Are not our tariffs too expensive?

[Answer] Of the 18 planes, 4 IL-18's carry freight exclusively, and among the passenger planes the 8 TU-154's may also carry 6 tons of freight per trip. Therefore we utilize the planes in such a way that, besides passengers, we always organize goods transport both ways. This is also a task of MALEV's foreign representatives.

Why do Hungarian enterprises ship by other airlines? Since fuel costs are four times last year's, and at the beginning of April they rose another 30 percent, this has raised shipping costs extraordinarily. At the beginning of the year, we increased our freight tariff by 20 percent, and therefore the Babolna State Farm turned to LOT and to AEROFLOT. The modification of the regulations made it possible for us to be able to reduce our freight charges by 20-25 percent in March, and thus we can satisfy even our largest client, the Babolna State Farm. Meanwhile, however, the foreign companies have stopped hauling freight, since their costs are not any lower than MALEV's. The larger Babolna consignments, which MALEV cannot ship, are carried by the Yugoslav JAT.

For the time being, therefore, freight haulage is not profitable for MALEV. At the same time, deliveries on a lease basis, that is, the transport of postal consignments, brings more profit. I would like to improve profitability by better utilization, for which more foresightful organization is necessary. This latter will also be helped when the new technical base at Ferihegy is ready in 1982.

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ROMANIA

PERFORMANCE OF DACIA AUTOMOBILE IN EXPORT MARKET DISCUSSED

Bucharest REVISTA ECONOMICA in Romanian No 18 , 1 May 80 pp 9-10

/Interview with economist Dumitru Stanculescu, manager at ICE (Foreign Trade Enterprise) Autodacia-Pitesti, by Ioan Georgescu/

/Text/ /Question/ What do you think are the "arguments" offered by the Romanian-made Dacia 1300 town car to break into the very competitive foreign market of automobiles?

/Answer/ December 1979 marked 10 years since the launching of the Dacia 1300 automobile model. The continuous expansion of the domestic market, which not even now shows signs of saturation, has coincided with a continuous increase in the demand for this automobile on the foreign market.

For instance, last year exports amounted to 21,000 cars, which were delivered to 20 countries in Europe, Africa, and South America. It is anticipated that in 1980 there will be an export of 30,000-35,000 automobiles to more than 25 countries, with many of these countries known as reputed makers on the world market of automobiles. In the German Democratic Republic there now are more than 30,000 Dacia automobiles, in Czechoslovakia -- more than 20,000, in Greece, because of the outstanding reliability of the automobile, there are some 6,000 in the cab system, in Algeria, Dacia 1300 Sedan, Break and Pick-up have proved their qualities in operation under specific conditions of use (temperature, terrain, and so on). In Colombia, at the partner's request, a special design was provided for the cab system and adapting engine operation to conditions of high altitude.

I believe that the option of the maker -- the Pitesti Automobile Enterprise -- for the 1300 cu cm class was an important factor in ensuring foreign outlets. In the context of growing concern for saving fuel, the Dacia 1300 automobile ranks among the low-consumption models. Within its class, the Romanian-made automobile is very roomy, with five seats and a trunk which is sizable for its capacity. The qualities of the engine, the simple and sturdy construction, easy maintenance and drivability, and the comfort provided the passengers on trips over hundreds of kilometers are prestigious features thanks to which the Dacia automobile has asserted itself on foreign markets.

Another significant factor that has enhanced the competitive character of the Romanian-made automobile on the foreign market involves the structuring of a powerful service system by the Pitesti Enterprise for Technical Assistance and Service to Automobiles (IATSA) which is capable of providing service volume and quality to meet demand. In comparison to the value of the automobiles exported, tools, devices, and controls account for about 0.1 percent in deliveries, a figure that will be increased, and the value of exports of spare parts, for approximately 10 percent.

The service activity conducted by IATSA in conjunction with Autodacia Foreign Trade Enterprise involves providing technical assistance to foreign partners and final users for proper estimation of the features of the product and ensuring parts during the guarantee period and prompt action by local experts for remedies. Moreover, we have organized training on matters of operation -- at home and abroad -- for personnel in partner countries. Technical bulletins are periodically forwarded. They contain structural changes or other new technical developments issued by the manufacturing company. A very effective and successful response among importers was evoked by the provision of post-selling services, such as checking the automobiles when they reach their destination and making them operational, for the purpose of remedying or eliminating possible damage or defects that occurred during transportation. In conjunction with the service enterprise we are further concerned with seeking new approaches and ideas in the area of scientific structuring of service, an activity of outstanding importance to maintaining the success of Dacia automobile on foreign markets.

Dacia 1300, Best of 77 Automobiles

"Dacia Was the Best" is how the Czechoslovak MLADA FRONTA newspaper headlined a report on the results of a rally-competition for the lowest gasoline consumption, organized at Pilsen by the local Dacia Club. The rally was run over a very difficult 56-km long route and involved 77 participating cars. It was won by a Dacia 1300 which used over this distance 1.75 liters of gasoline (3.13 liters of gasoline per 100 km).

The newspaper points out that Dacia 1300 automobiles were the cars with the lowest gasoline consumption and that three of them placed among the first ten. Skoda automobiles took second and third places.

Question What is the role of the innovative process in expanding export markets?

Answer The enterprise for automobiles and the Research and Engineering Center for Automobiles at Colibasi have constantly concerned themselves with upgrading the structural and esthetic features of our products and with diversifying the production range. For instance, the export list now includes five variants of Dacia 1300. Moreover, production of Dacia 1310 will commence shortly. This model incorporates a number of structural improvements involving the mechanical system, improvements which result in an about 10 percent lower fuel consumption and in greater reliability. Also, in comparison to Dacia 1300, the 1980 model is greatly improved in terms of instrumentation and outside finish.

profitability of output. In this context, profit becomes the sole source of economic development, out of local resources, in each agricultural cooperative. The new approach by no means affects the primordial character of the constant increase in net output, as major source for the development of the commonly-owned property and for the improvement in the standard of living of cooperative farmers. This is so because while net output is the newly created value (and is determined as the difference between overall output and the related materials expenditures), profit is an important part of the newly created value (and synthetically reflects the results of the economic activity). Profit is determined after the following elements have been assigned from net output: remuneration for work and the input into the fund for pensions and social security in proportion to the production and incomes obtained by the cooperatives, the tax on lands, on the remuneration fund and on the incomes from industrial activities, the insurance premiums, the allowance fund, the expenses for training of personnel and field practice and other expenses specified by the law.

The role of profit in self-financing of each agricultural cooperative's economic development is attested by its assignment in the first place to the fund for economic development and the fund of circulating assets. Follows the formation of the other funds: the fund for social-cultural and sports facilities; the reserve fund for production and remuneration for work; the intercooperative fund for mutual aid and consolidation; the profit-sharing fund for cooperative farmers and the other working people, the profit-sharing fund involving the collective amount based on the cooperative farmers' cash deposits. In light of the essential role of profit in the establishment and growth of the fund for economic development (which also includes the amounts for amortization of fixed assets, and other sources) all the agricultural cooperatives are required to conduct a profitable activity which should enable them every year to assign from the profit obtained adequate sums to the fund for economic development.

Hence, of great importance are the size, destination, and utilization of these funds, under the conditions that will be specified in the by-laws of agricultural cooperatives. Undoubtedly, the fund for economic development will be given priority not only in terms of order but also in terms of the amount assigned from the profit obtained.

In the new context, each cooperative must obtain profits in each production branch in which it does business, on a scale which ensures independent development and accelerated intensive farming.

Profitability of Plant and Animal Output

The introduction of the indicator "profit" in cooperatives has a real base, which is confirmed by the good economic-financial results obtained by the great majority of these units for most agricultural products. The consistent implementation of the policy of intensive and multilateral expansion of agricultural production, based on modern technique and technology, and the continuous upgrading of the organizational framework, of the forms and methods

of self-management and self-financing have permitted the increase in the economic efficiency of the operating costs. A positive factor involved the gradual introduction and the dissemination of the evidence and calculation of production costs for all products, in all cooperatives. This made mandatory the better management of production funds and the confrontation of expenses with the profits obtained, with the spotlighting, as the case may be, of profit or loss for one or another product and on the scale of the overall cooperative.

In less than 15 years after the completion of cooperativization, the cooperative sector of our agriculture has strengthened its economic-financial situation, growing into a profitable sector (we are making this statement in light of the economic-financial results obtained by agricultural cooperatives in 1978, when -- for all the plant and animal sectors -- the summing-up in terms of profitability was positive).

We must particularly point out the level of profitability of grain output -- the primary agricultural production branch, with a great impact on the expansion of all the other production branches in agricultural cooperatives: each 100 lei of operating expenses yielded a profit of more than 41 lei for corn crops and almost 35 lei for wheat crops. These are crops which take up almost three-fifths of the arable lands of agricultural cooperatives. For winter barley the profitability rate reaches almost 50 percent, and this is an additional argument for expanding this extremely valuable feed grain crop.

For soybean crops, each 100 lei of expenses yields a profit of 18 lei.

Industrial crops and especially those which under the next five-year plan are given priority status in the structure of the group involving these crops, are highly instrumental in raising the profitability of production in agricultural cooperatives. For instance, sunflower -- the primary industrial crop in agricultural cooperatives -- is by far one of the most profitable crops, with a profitability rate which reaches almost 61 percent. Sugar beet, in spite of all the difficulties of the process involved, is a crop of average efficiency (profitability rate is 19 percent) while for the traditional hemp crop, each 2 lei of expenses yield 1 leu of profit.

The output of potatoes and vegetables -- which involve a large amount of manpower -- ranks among the efficient sectors in cooperatives, with a profitability rate which, depending on the crop, reaches up to 40 percent.

Grape growing (with a profitability rate of about 25 percent) is surpassed by fruit-tree growing, whose profitability potential is high: there is no pomicultural crop for which the profitability rate is below 25 percent and in the case of peach and plum this rate is 75 percent.

Very profitable are natural pastureland and meadows: each leu of operating expenses yields profits of 1 leu (for hayfields) and more than 2 lei (for meadows). This fact justifies, in terms of efficiency also, paying greater attention to capitalizing on this production resource.

In the sector of livestock production, breeding fowls for eggs, fattening junior cattle by using industrial procedures, and fattening junior sheep and adult sheep are fully profitable activities, with a profitability rate of up to 12 percent. Even for cow's milk, the profitability rate in foremost units (which provide more than 40 percent of the milk output) is 16 percent. For fine and semifine wool output in the consolidate units (which concentrate almost 60 percent of the output) the profitability rate is 21 percent. For pork, the foremost cooperatives (with an input of almost 50 percent of output) reach a profitability rate of 13 percent.

The examples abound and lead to the identical general conclusion: the profitability rate obtained for all agricultural output in cooperatives justifies the switch to applying the indicator "profit" in the economic-financial activity of these units.

Moreover, the scientific and principled analysis of the results obtained so far by the cooperative sector in the area of increasing the profitability of output reveals the existence of great reserves for greater profits and efficiency in this sector.

In the first place noticeable is the maintenance of an evident discrepancy between the profitability rates in plant output and in animal output: while almost all plant products (even those of lesser importance) are profitable (in most cases with very high profitability rates), for animal products, the profitability rate is lower and some products are momentarily unprofitable.

In the second place, even for the major plant and animal products with a high profitability rate on the level of the cooperative sector, many of the crop-growing and respectively, animal-raising units still conduct an unprofitable activity for one product or another. For example, in terms of growing corn (kernels), in more than a quarter of the total number of cooperatives (that farm about one-fifth of the area but only provide 8 percent of the output) the activity conducted is unsatisfactory. Furthermore, sunflower growing in a number of cooperatives (which, while taking up 10 percent of the area under this crop only provide 5.5 percent of the output) does not yield satisfactory economic and financial results. Similar situations occur in some cooperatives for each crop or animal sector.

The implementation of the provisions contained in the law on profits involves making profitable all the products and all the agricultural production cooperatives.

Proceeding from this actual situation, in conformance with the decisions and directives of the party, of its secretary general, it is necessary, in a short period of time, to make profitable the activity of all the agricultural cooperatives, with the formulation and implementation of special programs for improving the economic activity in every agricultural cooperative unit.

The reserves and methods for increasing the profitability of activities in all the agricultural cooperatives will be discussed in a future article.

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